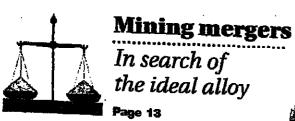
# FINANCIAL TIMES





**Plastics** The magic of metallocene

THURSDAY OCTOBER 12 1995



The master of Milan

Stepping out into public life

D8523A

Page 16

World Business Newspaper

# Juppé escapes legal charges over **Paris apartment**

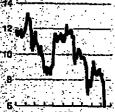
French prime minister Alain Juppé escaped legal charges over his Paris apartment, but the city's prosecutor said he had broken a law on conflict of interest and ordered him to move out. The decision not to press charges spared Mr Juppé from having to resign as prime minister. The franc recovered some recent lost ground against the D-Mark on the news, closing at 3.487 against 3.506 a day earlier. Page 14; Bonds, Page 24; Currencies, Page 25

Suez, the troubled French financial and industrial holding group, unveiled limited details of its strategy as it announced unexpected losses of FFr4bn (\$797m) for the first half of the year. Page 15

Serbs lose ground after ceasefire delay: Croatian and Bosnian government forces made use of an extra day of fighting to capture one more town from the Serbs, as the UN made a third attempt to secure a ceasefire agreement after two last minute failures. Page 14; Sarajevo's darkest days recede, Page 3

Fokker shares tumble on cost cut fears: Shares in Fokker, the

Folkker Share price (Guilders)



protection from its crediors. The rumours were later denied by a spokes-

man of Fokker, which is majority-owned by German industrial group Daimler-Benz. Page 15 Global Aviation, a Swiss-owned charter operator,

lossmaking Dutch

regional aircraft maker,

their value on the back

of market rumours about

the company's financial position. The share price

fell by F11.4 to F16 in

Amsterdam, having ear-lier touched a low of F15,

prompted by speculation that Fokker was seeking

lost almost a fifth of

announced a "strategic alliance" with China Southern Airlines to provide a service for executive visitors to China and medical evacuees. Page 7 Chrysier, the smallest of the three big US

carmakers, staged a partial recovery in the third quarter from its dismal trading performance in the first half of the year. After-tax profits for the third quarter fell to \$354m on sales of \$12bn, from \$651m on sales of \$11.7bn a year ago. Page 15

Apec fails to agree trade deal: Members of the Asia Pacific Economic Co-operation forum, rep-resenting half the world economy, failed to resolve a deadlock over plans to liberalise trade in goods and capital by early next century. Page 7

Israel frees 900 Palestinians: Israel said it had released 900 Palestinian prisoners in the first step toward implementing the second stage of the

Brussels lifts cable restrictions: Cable television network operators will be able to compete with national telephone companies to offer teleshopping and home banking following a European Commission decision. Page 2

**NEC.** the Japanese computer and electronics maker, made a sharp upward revision of its projected personal computers sales this year because of buoyant demand at home and abroad. Page 20

UK banks merger welcomed: Shares in Lloyds Bank and TSB Group leapt after the UK banks' proposal for a £13.6bn (\$21bn) merger received an enthusiastic reception in the City of London, and the possibility of another bank making a counterbid for TSB receded. Page 21; Lex, Page 14

Americans win Nobel physics prize American scientists, Martin Perl and Frederick Reines, were awarded the 1995 Nobel prize for Physics for their discovery of sub-atomic particles which support the Big Bang theory of creation.

Third Paris airport plan: France has decided to build a third airport in the Paris region to spare further congestion at the capital's Roissy-Charles de Gaulle and Orly facilities.

Three tenors announce world tour: Luciano Pavarotti, Placido Domingo and Jose Carreras announced their first world tour with performances in Tokyo in June, London and New York in July, Munich in August and the Australian city of Melbourne in March 1997.

German MP wants Coke's recipe: A German Euro-MP demanded that Coca-Cola reveal its secret recipe, saying European governments should consider banning it because it violates a law giving inspectors the right to know the composition of food products sold in the EU.

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# Brussels set to allow telecoms 'supercarrier'

Michael Lindemann in Bonn and Alan Cane in London

Atlas, the controversial alliance between Deutsche Telekom and France Télécom designed to create a European "supercarrier", now looks set to get the green

light from Brussels.

Mr Karel Van Miert, the EU competition commissioner, indicated yesterday in Strasbourg that he was ready to give agreement in principle to the venture following specific commitments from the companies and their

governments.

"It does look as if Atlas is going in the right direction," he said. "It looks like we are going to get an agreement and I think it is a madern." it is a good one."

The conditions are expected to be initialled at a meeting on Mon-day between Mr Van Miert, Mr Ron Sommer, chief executive of Deutsche Telekom and Mr Michel Bon, chief executive of France

They include: A pledge to open "alternative" telecoms networks in France and Germany such as those constructed by the electricity and water utilities, to Deutsche Telekom and France Télécom's competitors by July 1,

This represents a compromise on both sides. Mr Van Miert had

Approval in principle likely for controversial Atlas project

the US.

wanted the networks opened by January 1; the Germans had said it was not possible before October or later.

• Transpac and Datex-P, the data transmission subsidiaries of the two companies, will remain independent until January 1,

 Info-AG, a German-based data transmission company in which France Télécom has a stake, will remain outside the Atlas agreement.

Deutsche Telekom officials said

yesterday that the three conditions set by Mr Van Miert were in line with those discussed in recent weeks and "made sense". "We have no problems with the

idea of liberalising alternative

infrastructure prematurely as long as this is linked to prompt approval for Atlas," one said. France Télécom said it believed sound progress had been made over the past two weeks and was

optimistic about the outcome of Monday's meeting.
Atlas is one of three international alliances created to compete for the international business of large, multinational

Concert, an alliance between

October 20.

British Telecommunications and MCI of the US, already has full regulatory approval on both sides of the Atlantic. WorldPartners, an alliance led by AT&T, the largest US carrier, has yet to get the go-ahead either in Europe or

Mr Van Miert has held back approval for Atlas because of fears that an alliance of Europe's two largest operators could destroy potential competition.

Although the two companies will be able to move ahead with detailed planning, it is unlikely the approvals timetable will allow final agreement before

spring next year. Mr Van Miert said: "Even if we reach a potential agreement, it has to be put to the other competitors as well."

It was up to the companies themselves to decide whether to take the risk of going ahead before then, based on a political agreement, he said.

Deutsche Telekom and France

Télècom are waiting on approval for Atlas before they can move ahead with Phoenix, a three-way alliance with Sprint of the US for which US approval is still



Sign of the times: a boy plays the accordion for money in central St Peterburg. More and more children are resorting to begging because of growing poverty among the Russian middle class.

Peters: Phases

Since then, he has sold or

agreed the sale of the company's

research operations, its labora-

tory equipment side and most of

its distribution for more than

the time RPR made its hostile bid

The rapid conclusion of the bid

appears unlikely to boost other

on August 18.

The share price had doubled by

# Lotus head resigns following takeover by IBM By Louise Kehoe In San Francisco

Mr Jim Manzi, chief executive of Lotus Development, the software company acquired by Interna-tional Business Machines in July, announced yesterday that he was

resigning.

He is leaving Lotus and his position as a newly appointed senior vice-president of IBM. Mr Manzi's departure had been

widely expected in the wake of the IBM \$3.5bn acquisition of Lotus. He is, however, leaving sooner than most industry observers had expected, just four months after the acquisition, raising questions about a possible clash with IBM management. Mr Manzi said he had held

open and frank discussions with IBM managers and there had been both agreement and disagreement about the future of Lotus. "There was no proximate cause for my resignation," he

In a memo to Lotus employees Mr Manzi said: "I have concluded over the past couple of weeks that I'm not the right person to be leading Lotus at this juncture in its history. The attributes that I believe made me an effective chief executive of a nearly billion-dollar independent company, aren't necessarily the attributes required of an executive leading a division within a much larger organisation. The challenges that excited me previously aren't necessarily the same challenges we face today."

Mr Manzi said he had informed Mr Lou Gerstner, IBM chairman and chief executive, of his decision on Tuesday. He declined to comment on Mr Gerstner's reac-

In an internal memo, Mr Gerstner told IBM employees: "I understand and respect Jim's decision. Jim has made many important contributions to Lotus

and we all wish him well. Mr Manzi . 43, noted that it was almost 13 years since he joined Lotus when the company was about to launch its first product, the Lotus 1-2-3 spreadsheet. "Many people believe that we defined the personal computer

Continued on Page 14

# RPR wins \$2.9bn bid battle for Fisons

By Daniel Green and Motoko Rich in London

Fisons, the UK's fourth biggest tive, said he had had talks with to take it to 14th position by sales utives and an 80 per cent fall in

ceded defeat in a \$2.9bn bid battle with US rival Rhône-Poulenc The two companies are to start

talks immediately on how Fisons will be absorbed. Mr Robert Cawthorn, RPR chairman, said that job losses were likely, mostly in the US where both companies have large sales forces for their asthma and allergy products.

Fisons said its decision to recommend the 265p a share offer, which it rejected as madequate last week, was due to thedecision at the weekend by an undisclosed "third party" to pull out of rescue

Mr Stuart Wallis, chief execu-

Jobs losses probable in drugs sales forces in US

did not think that RPR's offer would be beaten by anyone else before the bid's final closing date, To declare the bid uncondi-

tional, RPR has until that date to accumulate 50 per cent of Fisons Fisons, which can trace its orithrough share purchases and offer acceptances from Fisons shareholders. The acquisition will make RPR

one of the world's biggest companies in asthma and allergy products, which is one of the fastest growing areas of drug sales. The Fisons deal is the company's first in the UK since the 1927 takeover of May and Baker.

They included the 1985 takeover of the drugs arm of Revion. the US cosmetics company, and this year's takeover of Cooper, the French pharmaceuticals dis-

eins back more than 200 years is about 60th in the world rankings. Although a defeat for Mr Wallis, the acceptance of the RPR bid marks the end of a spectacular corporate turnround.

Mr Wallis took on the job from outside the drugs industry in September 1994 after a turbulent period of three years during More recently, the company has engineered a series of deals which Fisons had seen three profit warnings, three chief exechealthcare stocks in the UK as "Ive had to fly, sit in taxis, attend meetings and live on snacks for 24 hours straight. Now what?"

did the £9.1bn takeover in March of Wellcome by the rival UK com-

pany, Glaxo.
"I plan to reinvest the money

"I would not say that the phar-

RPR has been advised in the

bid by Lehman Brothers and J.O.

Hambro Magan, while Fisons has

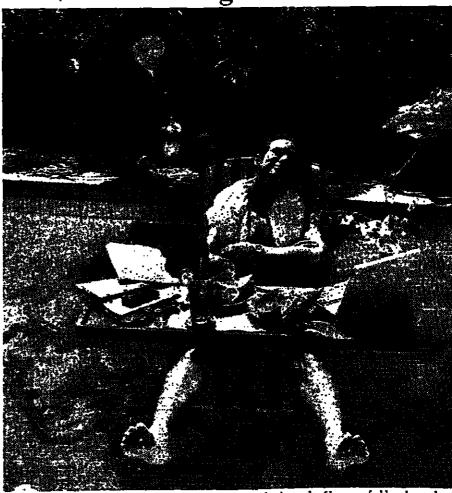
Fisons' 50-day resistance,

Lex. Page 14

been advised by SBC Warburg.

maceutical stocks are that cheap

right now.



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# South Korean groups hit by foreign investment curbs

By John Burton in Seoul

msung and Hyundai were yesterday scrambling to save their proposed US semiconductor plants after the South Korean government imposed new curbs on foreign investments.

A requirement that Korean companies must finance at least 20 per cent of foreign investments with domestic funds has temporarily sidetracked the US semiconductor plants, the biggest Korean overseas projects yet The measures are intended to

reduce borrowing abroad by South Korean subsidiaries, which officials claim is contributing to a sharp rise in the country's foreign debt. Both Samsung and Hyundai had planned to finance the

through bank loans raised by their US subsidiaries. The new financial requirements have forced Samsung Electronics to postpone the formal announcement of a plan to build its first US semiconductor plant at Austin, Texas. The new rules

plants, costing \$1.3bn each,

are not expected to affect previapproved by the Korean govern-ment, such as Samsung's £450m (\$697m) consumer electronics plant in the UK.

The company's initial arrange ments for financing the Texas facility included \$400m raised by its subsidiary, Samsung Semiconductor of Santa Clara, California, and another \$900m through a newly established unit, possibly in Austin.

Analysts said Samsung was expected to be able to meet the the new requirement for \$260m from domestic sources. Samsung, expected to report net earnings of at least \$2bn this year, will soon submit for approval a new financing plan to South Korea's

Hyundai Electronics will find it more difficult to meet the new requirements. With an expected profit of \$1.5bm on a turnover of \$5bn, Hynndai will easily be able to transfer the stipulated 20 per cent of domestic funds to build its semiconductor unit in

Engene, Oregon. But the new rules limit pay-

subsidiaries to the parent company's total net worth. This causes problems for Hyundai, since its net worth is only \$560m, which would prevent it guaranteeing all the planned loans that would be raised by Hyundai Electronics

America. Under the new rules, unlisted Hyundai would have to increase its capital or provide more funds to its US subsidiary.

The new regulations come at an awkward time for Hyundai Electronics, which this week unveiled an ambitious programme to invest more than \$25bn in an expansion of corporate activities over the next five

Hyundai Motors, South Korea's largest carmaker, has also seen its overseas borrowing activity curbed by the government. In a rare intervention, the ministry of finance and economy last week ordered Hyundai to cancel a planned \$150m floatingrate note issue in Hong Kong.

Chaebol reassess foreign plans,

CONTENTS FT/SP-A Wild Indices

© THE FINANCIAL TIMES LIMITED 1995 No 32,804 Week No 41

Greek PM and

The Greek prime minister, Mr Andreas Papandreou, yesterday

walked out of a stormy session of the governing central

committee of his Panhellenic Socialist Movement (Pasok).

The meeting, called to elect a new 18-member executive

board, erupted in angry exchanges after Mr Papandreou, 76, said he did not intend to retire. He denounced party rebels

who called for a change of leadership for "trying to destroy

Pasok appeared to be on the brink of splitting when a prominent member of the populist faction, the former finance

However, after four hours of angry debate, the central committee elected Mr Costas Skandalidis, the candidate put

indicating that the prime minister has not yet lost control of

Kerin Hope, Athens

orward by Mr Papandreou, as secretary general of Pasok

Greek shipyard workers fighting riot police near the

a protest against job losses. The government is presently

involved in a controversy with the European Commission

Chechens suspend peace talks

jeopardy yesterday when Chechen separatists said they would boycott talks with Russia until international observers and

"The participation of the Chechen side in talks is suspended

until the arrival of international observers and security forces

yesterday. Chechen officials said their demand was provoked by repeated Russian violations of a ceasefire, which came into effect in June, and a fragile agreement, signed on July 30.

The Chechen withdrawal from the talks is the latest in a

series of events which have suggested that the peace process

The accord, under which Russian forces agreed to partially

withdraw in exchange for the disarmament of Chechen

the Kremlin officially suspended its compliance with the

fighters, has made little real headway and on Monday

Peace talks in the Chechen republic were thrown into

UN peacekeeping troops were sent to their region.

of the United Nations to guarantee observation of international norms." Mr Dzhokhar Dudayev, leader of the Chechen separatist forces, said in a statement released

in Chechnya could soon crumble.

over the future of the troubled Hellenic Shipyards

Merchant Marine Ministry in the port of Piraeus yesterday in

finance minister, Mr Dimitris Tsovolas, announced his

resignation from the party.

critics clash

EUROPEAN NEWS DIGEST

Chrystia Freeland, Moscow

look for a site for a third airport in the Paris region, and that it would limit the extension and night-use of Charles de Gaulle airport, at Roissy north of Paris. The government plan is to add two relatively short (2.7km)

runways to Roissy to take landings only, and to ban from next March night flights by noisier aircraft. Its aim is to defuse local opposition to an earlier plan to construct a single longer (3.6km) strip on which aircraft could take off as well as land. But while in favour of a third airport, local protest groups

complained of the government's failure to halt all new construction and night-flights at Roissy. Charles de Gaulle-Roissy, the main international airport, and Orly, the suburban Paris airport which chiefly handles domestic traffic. are, respectively, Europe's third and fourth busiest airports, behind London-Heathrow and Frankfurt. David Buchan, Paris

#### Scharping appoints party boss

Mr Rudolf Scharping, the embattled leader of Germany's opposition Social Democrats (SPD), yesterday nominated Mr Franz Muntefering to the vacant post of SPD general secretary.

The appointment of the 55-year-old minister for labour and social affairs from the state of North Rhine Westphalia to the post vacated two weeks ago by Mr Gunter Verheugen was given a broad welcome in the party.

Mr Gerhard Schröder, prime minister of Lower Saxony and one of Mr Scharping's rivals in the leadership, said it was "a

The appointment has to be confirmed by the party congress in Mannheim in November. Mr Muntefering's main job will be to prepare the party for the 1998 general election. He is an old Bonn hand, having served as a member of the Bundestag for

# Brussels backs Irish Steel plan

The European Commission last night approved the Irish government's aid package for the state-owned Irish Steel, which is to be sold to Ispat International, a privately owned steel company controlled by the Indian Mittal family.

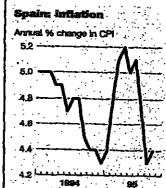
The rescue plan, announced last month, involves an indirect subsidy of 1927m. However, the package still has to win approval from the council of EU industry ministers which

meets on November 6. The plan includes the write-off by the Irish government of I£17m of debt, and the injection of I£10m of working capital.

Ispat would be required to retain the 331 jobs for five years. and make capital investment of I£30m over the period. British Steel said when the deal was announced that it may lodge a formal complaint with the Commission over what it

saw as unequal treatment. John Murray Brown, Dublin **ECONOMIC WATCH** 

#### Spain's inflation at 4.4%



Sounce: FT Extel

cent after falling to 4.3 per cent the previous month. according to the National Statistics Institute. Accumulated inflation in the first nine months has already reached the government's initial target of 3.5 per cent for the whole year. However, the monthly increase of 0.4 per cent in the consumer price index, compared with 0.3 per cent in August, was in line with financial market expectations. The Finance

Spanish inflation moved up slightly in September to a

year-on-year rate of 4.4 per

Ministry said the trend still pointed to a rate of less than 4 per cent in the early part of 1996. The acceleration in last month's inflation rate was foreshadowed in a recent report by the Bank of Spain, which warned of seasonal food price increases, aggravated by supply problems. The bank forecast that inflation would ease later on, but said it would be cautious about easing interest rates in view of possible wage pressures and uncertainty over budget plans for next year. David White, Madrid

# Crédit Lyonnais blamed for its troubles

mer manage-ment of Crédit

Lyonnais, the state-owned bank, for the huge losses the bank ran up as a result of its lending strategy between 1987 and 1993.

In a report on how the bank managed to lose more than FFr21bn (£2.65bn), the Cour des Comptes also hinted at the need for reform of the banking regulation system. It said that, during the period, Crédit Lyonnais had followed a strategy of high risk expansion, with inadequate resources and poor

internal controls. Responsibility for the losses, which resulted in two statebrokered rescue packages, should be primarily placed on Credit Lyonnais' management, it said. But the bank's experience had shown "the need for an evaluation of the efficiency of the surveillance methods

Mr Jacques Bonnet, president of the chamber of the Cour des Comptes which handles financial matters, said yesterday: "A company choosing a risky policy of expansion needs ... money, competence and a system of surveillance. The moral is that these three things were missing, wholly or

partly."
While refusing to make any immediate recommendations for changing the regulation system, Mr Bonnet said the Cour des Comptes planned to start examining the systems of control and surveillance used to assess all France's state-

owned banks. One aim would be to see whether there was a case for changing the way in which the

The French public sector watchdog says the state bank's former managers were responsible for its FFr21bn losses, writes Andrew Jack in Paris

banks were regulated, he said, while stressing that the Cour des Comptes had no power to force recommendations on the Banking Commission. The Cour's report is as sig-

nificant for what it conceals as for what it reveals. After 70 pages of relatively hard-hitting analysis of what went wrong it proffers barely a

page of conclusions.

Carefully excised are the names of most of the principal protagonists. So the report refers, for example, to "two Italian financiers" – clearly Mr Giancarlo Parretti and Mr Florio Fiorini, who bought the MGM film studios with loans totalling more than \$1bn from the bank's CLBN Dutch subsid-

iary in 1990. Despite strong implicit attacks on those involved, including the Banking Com-mission, in the body of the report, there are few comments on the subject in the conclu-

Yet even the relatively mild language used has been

under-capitalisation

chairman of the bank

From Crédit to debit

report highlighting Crédit Lyonnais's insufficient profitability and

September 1988. Jean-Yves Haberer

November 1991. Cour des Comptes

imposes controls on the bank; Banking

Commission does the same on a number

replaces Jean-Maxime Lévèque as

• February 1988. First Cour des Comptes

enough to enrage several of those mentioned, among them the Banking Commission, the economics ministry, and Mr Jean-Yves Haberer, the former chairman of Crédit Lyonnais. Their responses are almost as

long as the report.

Mr Bonnet denied yesterday that there had been any political pressure to dilute the report. But the information made public vesterday bore little resemblance to the harderhitting dossiers on individual frauds and cases of misman-agement at the bank prepared by the Cour and systematically leaked to the press over the

past few months.

At the heart of the report is the suggestion that Crédit Lyonnais implemented a strategy of accelerated growth beyond its means, which differed from that of its competitors and brought with it especially high risks of losses.

It says the bank's provisions against loans that might default were below those of its leading private sector rivals -

Commission impose procedures to

March 1993. Bank announces losses

November 1993. Jean Peyrelevade

appointed abruptly by the government as

supervise handling of large risks undertaken by the bank

of FFr1.9bn for 1992 - at the time

the worst in more than 20 years,

but they will rise to more than

chairman of the bank in place of

FFr21bn by the end of 1994

Nationale de Paris - and were introduced only at the last possible moment. It says the bank relied on a series of exceptional activities to maintain its levels of reported profits.

While it concedes that there was an economic recession outside the bank's control, the Cour des Comptes argues that Crédit Lyonnais pursued growth in spite of advice to the contrary from regulators and normal prudential practice. For example, it says the

Dutch banking regulators repeatedly warned the Banking Commission verbally during 1989 and in writing in April 1990 against the loan made by CLBN for the MGM deal. The following month, the head of the Treasury expressed opposi-tion to the bank, but his advice was ignored.

There is clearly an element of face-saving by the Cour. As the body responsible for overseeing the public sector, including state-owned enterprises, it had at least some

Group net profit/loss (FFrbn)

-15 1990 91 82 93 94 95°

duty to supervise the bank. So, in the report, it portrays its own role very clearly as among the earliest and toughest interveners calling for change in the bank's management. It highlights the fact that it raised questions as early as February 1988 after studying the accounts for the periods 1983-86.

Yet there are no details in the report of any discussions between management, stateshareholder and bank, and there is no explanation why, if the signs of trouble were so obvious, no action was taken. That is a criticism picked up by the economics ministry in

• March 1995. French government

profits for more than three years of FFr36m for the first six months of the

critical report attacking the bank's management, the passivity of the state as shareholder and the slow response of regulators to its crisis

unveils rescue package totalling more than FFr135bn, to be approved with minor modifications by the European Commission in July and by the National Assembly in October September 1995. Bank announces first

parliament appeared more than a year ago. in the end, the report says as

much about the delicate sensitivities between some of the leading French state institutions as about the problems and lessons of Credit Lyonnais.

were lost to the state each year

through criminal activities and

the black economy, which he

estimated at 12 per cent of

gross domestic product. How-

ever, the number of tax inspec-

tors had been cut in the past

five years while the number of

taxpayers, corporate and indi-

vidual, had increased to 20m

Another aspect thrown up by

the Graf and Norderfriedrichs-

koog cases is the sheer com-

plexity of tax law and the gov-

ernment's difficulties in

making changes. Last month,

parliament approved a series of

income tax changes from Janu-

ary 1996. Among them, said the

Bonn ilnance ministry, were

six "effective and pragmatic

steps towards simplifying

taxes". Shortly afterwards, the

FT office in Bonn was sent a

copy of the new guidelines for

deducting taxes from wages:

Mr Theo Waigel, the finance

minister, wants to simplify and cut taxes. He is conscious that

rates over 50 per cent are

unpopular and stifle enter-

prise. His first priority is to

reduce business taxes, starting

with abolition of the local trad-

ing capital tax, the levy which

companies in Norderfriedrichs-

koog avoid and which has to

be paid irrespective of whether

However, his task is any-

thing but easy. The revenues from the trading capital tax

accrue to municipalities so

that its removal will entail

negotiations with their repre-

sentatives at a national level

Abolition of the tax will also

have to be squared with the

With tax changes at the

mercy of political horse trad-

ing, it is no surprise that legis-

lation is complex and confus-

ing. However, even Germans

were taken aback recently

when their president, Mr

Roman Herzog, told a televi-

opposition parties.

a company is in profit or not.

they amounted to 285 pages.

from 14.1m, he complained.

first meaningful signs of trou-ble did not emerge until 1991,

and that the bank's development until that time has to be

seen in the context of the very different, fast-growing econ-

The Banking Commission

questions both the legal right

and the technical ability of the

Cour des Comptes to assess its role. The commission also says

it is not responsible for approv-ing the decisions taken by a

Mr Haberer, who was

replaced as chairman by the

government in late 1993,

argues that his role was made

ambiguous by the changing

attitude of the French state as the bank's shareholder. He

questions much of the Cour's

analysis, and stresses that

many of the decisions which

led to losses were implemented

One senior French executive

with close knowledge of the

case called the Cour staff who

prepared the report "good nov-el-writers". He questioned both

the accuracy of their findings and above all their understand-

It remains unclear what new

lessons are to be gained from the report. Credit Lyonnais's

senior management was

replaced almost two years ago,

the rescue plan and a number

of restructuring measures to

tighten controls are now in

place, and a far more detailed

and outspoken analysis of the bank's problems produced by

omy of the late 1980s.

bank's directors.

before his arrival

ing of business.

#### July 1994. National Assembly inquiry into the bank publishes highly October 1992. Treasury and Banking year, after special payments to the state

# Brussels delays decision on French N-tests

By Caroline Southey in Brussels and Emma Tucker in Strasbourg

The European Commission vesterday deferred for more than a week a decision about whether France has breached treaty obligations by pressing ahead with nuclear tests in the sending a letter to France requesting further information on the tests, asking it to "react

as soon as possible". The Commission also agreed it would meet on October 23 to consider the French reaction and to assess data on the tests. It will then decide whether France is in breach of the European Atomic Energy Community Treaty (Euratom)

If Brussels decides the tests are "particularly dangerous" it could rule that France should have sought its approval before proceeding with them.

France believes that the Commission has no rights under the treaty to stop the tests, and that it has provided with all the necessary informa-tion. It has pressed Mrs Ritt Bierregaard, the environment commissioner, to give a detailed list of questions to which it will provide the

Mr Jacques Santer, the Commission president, told the European parliament yesterday, that "we are carrying out our duties seriously but it takes time". The Commission had not so far found evidence that the many nuclear tests carried out to date had caused damage. "Environmental policy may have changed but the nature of the risk has not," he

Ms Pauline Green, leader of

warned that the Commission's credibility was "on the line". The Brussels decision fell short of a request by Mrs Bjerregaard that a warning letter be sent to France for not providing sufficient information and breaching the Eurotom

"The Commission decided its press ahead with such a hostile act against France," an EU official said.

He said the case was "extremely sensitive" and complicated by the fact that the terms of the Euratom treaty had never been tested before.

Mrs Bierregaard has accused France of failing to hand over vital information on the radioactivity levels and the geological damage at test sites in the South Pacific. Commission experts visiting the area also claimed they were barred from visiting some installations.

France has countered that it has given the Commission all the necessary access on Mururoa but that it has a legal right to two months' notice for visits to the Fangataufa atoll in French Polynesia. Mrs Corinne Lepage, the French environment minister, last week invited Mrs Bjerregaard to visit Fangataufa.

A majority of commissioners balked at Mrs Bierregaard's request for a warning letter which would have opened the way for infringement proceedings against France. This involves the Commission sending a warning letter, followed by a "statement of objection" and, last, a hearing before the European Court of Justice. Some EU officials have argued that a wider group of experts should be asked to ana-

# Peter Norman on one of the Federal Republic's growth industries

t is a world away from Monaco and the restrained princely delights of Liechtenstein, but Germany has its own tax haven in a tiny hamlet in the lee of a dyke in the windswept northern state of Schleswig Holstein.

Much to the chagrin of the federal court of auditors, which this week highlighted the case, the enterprising citizens of Norderfriedrichskoog have found a 300-year-old loophole in local property laws to exempt their community from levying capital-related taxes. As a result, the local farm houses have sprouted nameplates and letterboxes as corporations nave registe

headquarters there. The auditors' annoyance was directed less at Norderfriedrichskoog's 50 or so inhabitants as at the finance ministries in Bonn and Kiel which have failed to plug the loophole.

For Norderfriedrichskoog is symptomatic of how the German authorities appear to be losing their grip on the tax system. This is increasingly criticised as hopelessly complex and therefore liable to avoidance or evasion by the rich and the clever. Taxes are becoming a political issue as the wageearning majority of the population, whose income tax is deducted at source, complains ever more loudly that they are

not only high but unfair. Several hundred kilometres south of Norderfriedrichskoog is Mannheim, where a drama is unfolding which throws the question of equity into even sharper relief. The father of the tennis star Steffi Graf has been held on remand in jail there since the beginning of August pending investigations into suspected tax evasion. Ms Graf herself was questioned by the public prosecutor for eight

hours last week. Yesterday, the finance minis-try of the state of Baden-Württemberg said it had asked the Bonn finance ministry to lift tax secrecy rules in connection with her case so that it could answer questions from MPs in

# Evasion taxes Germany's leaky system



Taxing times for Steffi Graf who is under investigation

lowed Ms Graf's refusal to agree to such a step. Press reports, none of which can be confirmed because of Germany's tax secrecy rules, have suggested that the Grafs have paid only about DM10m in tax on income estimated at

DM177.4m (\$120m) since 1983. Although Steffi Graf is still a popular figure, the average voter is left wondering why he or she loses a good half of income in tax and social levies each month. In particular, how can Ms Graf apparently escape the rigours of a sharply prothe state parliament. This fol- gressive income tax regime

that imposes a 53 per cent top tax rate on a single person's taxable income from DM120,000 a year and then adds a "solidarity surcharge" of 7.5 per cent to pay for the development of eastern Germany? Grafs are guilty or innocent.

their case has prompted concern that tax evasion is one of

Mr Erhard Geyer, the head of the German tax inspectors' association, said in an interview yesterday that "hundreds of billions of D-Marks" in taxes

irrespective of whether the

Germany's few fast growing

sion interviewer that he would only be able to fill in his tax declaration "with difficulty". Mr Herzog is not only a former president of the constitutional court but a tax expert to boot.

tion is all that is needed to prevent anti-competitive practices.

feel that, with restrictions lifted on cable operators, they should be allowed to enter the television market. The European Parliament had asked Mr Van Miert to extend the scope of

"Do not forget that most telecoms companies are still monopolies," said Mr Van Miert. "Some people think 1998

entertainment field." Nonetheless, he said the Commission intended to look closely at the matter, which is complicated by the fact that in some EU countries, cable networks are much more extensive than in others and could soon represent substantial competition to telecoms operators, albett not for voice telephone services

# Brussels lifts bar on cable companies

By Emma Tucker in Strasbourg

lyse the data brought back by

EU experts.

Operators of the European Union's rapidly expanding cable television net-work will soon be allowed to compete directly with national telephone companies to offer new multimedia services such as teleshopping and home

Commission yesterday will force member states to lift restrictions on cable prices charged to consumers and busi-

However, governments will still be allowed to block cable companies from offering basic voice telephone services, an area that does not have to be opened up to competition until January 1998. "Obviously we would welcome a

1998, writes Michael Lindemann in Bonn. A legal report had confirmed this view, it said, as it released a revised Mr Wolfgang Bötsch, the post and

interconnection charges which Deutsche Telekom and other network

many's cable network.

The legislation does not address the concerns of telecoms companies which

the legislation to allow cable television services to be offered by telecoms companies. However, he said yesterday that many governments had reserva-

is too early to allow them into the

# advised to do so." move by governments to allow voice telephony, but we cannot tell them these powers yesterday includes special what to do," said Mr Karel Van Miert, provisions for countries where the tele-

owners would impose on other the competition commissioner, yester-day. "But governments would be well

ers provided by the Maastricht treaty, is able to force liberalisation in certain sectors without a vote from member states. The legislation adopted under

In such cases the operators will have to separate their accounts, which can then be clearly policed as a safeguard against cross-subsidy from one operation to the other. In 1998, the Commission will assess whether this separa-

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the parliament's Socialist bloc. THE FINANCIAL TIMES
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banking.

Legislation adopted by the European operators that bar them from offering the new services. Brussels hopes the move will lead to a sharp reduction in nesses for renting a line, roughly 10 times higher than in the US.

The German government said yesterday that local authorities would have to make their utility infrastructures available free of charge to all operators in the liberalised telecom market after

draft law yesterday. telecommunications minister, also said that the draft law spelled out that the

The Commission, under special pow-

operators could not be set in a way which reduced competition. In the latest draft special regulations will be imposed not just on companies with a market share of more than 25

per cent but also those with a "dominant position" in the market. The proposed legislation would be presented to the cabinet by December 6 at the latest, Mr Bötsch said. It must then be approved by both houses of parliament, a process which could drag on until next July because of objections from the opposition Social Democratic

coms operator owns cable TV companies, as is the case with Deutsche Telekom, which owns 90 per cent of Ger-



# Estonia cabinet split | Sarajevo's darkest days recede by bugging scandal

By Chrystia Freeland

An east European bugging scandal yesterday brought down the coalition government of Estonia, the Baltic state generally seen as one of the most successful and westernised of the former Soviet republics.

Mr Tiit Vahi, the prime minister, tendered his resignation after asking his interior minister, Mr Edgar Savisaar, to leave the cabinet.

Police and government officials have accused Mr Savisaar of taping conversations between himself and other politicians, including the prime

The affair has caused a row lasting several weeks between the main ruling group, Mr Vahi's Coalition party, and its junior partner, the Centre party, of which Mr Savisaar was leader before he resigned

as party chief yesterday.

The scandal began when police seized tapes of conversations between Mr Savisaar and other leading politicians during a raid on a private security company whose owner had once been one of Mr Savisaar's close advisers.

Earlier this week, one of Mr Savisaar's senior aides admit-

ted that she had made the tapes, but claimed that her boss had not known about

Earlier this week the Centre party turned down a demand by the prime minister that Mr Savisaar step down on his own initiative. On Tuesday night, Mr Lennart Meri, the president, sacked him at the request of the prime minister.

"People must be sure that nobody is tapping their phones," Mr Meri said. "Estonia must start behaving

like a proper state."
The affair has deeper repercussions than in other parts of the former Soviet Union where phone-tapping is thought to remain widespread, because Estonia likes to see the Communist era as an aberration imposed by Moscow, and has made strenuous efforts to expunge all traces of the Soviet era from its post-independence political culture.

Mr Vahi has resigned in order to expel the Centre party from the coalition. If his resignation is accepted by parliament, then the cabinet will be dissolved. The president will then select a new candidate to forge another coalition government out of Estonia's fractured

choices of prime minister. If neither of the president's nominees manages to form a new government, then parliament can nominate its own candidate. If all of these attempts fail to produce a new government, then fresh elections must be called just six months after the last polls.

Some observers said Mr Vahi himself might be asked to form a new coalition government, into which he would invite the centre-right Reform party to

replace the Centre party.

The Introduction of the Reform party into the coalition might nudge the government slightly to the right, but, even under Mr Vahi's now dissolved centrist cabinet. Estonia had continued to pursue one of the most radical - and successful - reform programmes imple-mented anywhere in the former Soviet Union.

minister in Estonia's last Soviet government, from 1990 to 1992, was a popular figure in this spring's election campaign. His Centre party won some 14 per cent of the votes on the strength of public dissatisfaction with the extreme economic reforms which followed independence.

Mr Savisaar, who was prime



international book fair in Frankfurt yesterday for publishers to send books to Bosnia, "Our libraries have been decimated and devastated. We have only 20 per cent of the books we had before the war. Bosnia is not only about wars and blood, it is about culture and spirit," he said

Sarajevans are again getting used to stopping at traffic lights, eating hot food and watching television, since gas and electricity supplies were restored to the city as a precondition for a ceasefire in

For the first time in five months, most people in the Bosnian capital have enough electricity to run a little more than a few light bulbs and a television, and those who have gas are at last able to

Throughout the summer, few people had any means of cooking their humanitarian supplies of dried beans and

By Tuesday, after the Serbs had duly allowed the repair of the electricity pylon cables they destroyed, the city was full of the sound of vacuum cleaners and washing machines. At the same time traditional Bosnian tunes mingled with techno-music from long-neglected cassette players. Mrs Raza Dizdarevic, 49, who

before the war ran a hairdress-er's shop, has just opened a butchery. "Throughout the war everyone lived off canned meat. We're hoping though that now people will be able to cook, they'll start buying fresh meat again," she said.
Throughout the war so far,

Sarajevo has only received at best a tenth of the electricity it needs and so households are officially restricted to running just light bulbs and a television set. If they use more they face the prospect of being cut

Mrs Dizdarevic was well aware of this but she couldn't wait to get back to her home to make the most of the electric-

Thousands of people had dug up their streets and connected themselves to the gas mains

ity supply. "As soon as I get home I'm going to do every-thing: make coffee, use the washing machine, cook and heat water for a bath. After that, they can cut me off, I won't care," she said.

For poorer Sarajevans, the restoration of utilities means the fear of almost total destitu-

tion is relieved. Saraievo is now receiving about 20MW of electricity. Once the repair of the damaged cables is complete it should receive 40MW, but that is only enough for basic domestic con-

People have tried to supple-

ment the lack of electricity supplies in Sarajevo with gas. Before the war, only 15,000 households had gas connec-

After three cold winters without a proper electricity supply and with soaring fire-

wood prices, the number reached 70,000. In desperation, thousands of people in Sarajevo dug up the road in front of their homes

and connected themselves to the gas mains. Mrs Vera Kotrosan, 62, like many people, tapped into her gas central heating pipes and, using some rubber tubing, put

a pipe directly into her wood stove for heating.
The central heating wasn't working so it was the only way we could get any heating at

These dangerous illegal con-nections, combined with the fact that the gas supply is irregular and the gas odourless, have claimed a number of

lives through gas explosions. Since May, when the gas was turned off, the streets have been dug up again and the rubber hosepipes and plastic tub-ing replaced with proper gas valves and piping.

Mrs Kotrosan said: "We are just so happy that the gas has come back on. We only hope it lasts this time. I just want to take a normal bath. I don't remember the last time I did

# German banks to rescue builder in east

remi peace al.

ir new Parkin

Margar Smily as

By Judy Dempsey in Berlin

A consortium of German banks, headed by Berliner Bank, has agreed to issue a DM100m (\$68m) credit line to the German subsidiary of Maculan, the Austrian construction company, in an attempt to fend off bankruptcy and save more than 5,400 jobs in eastern Germany, at least

temporarily. The move by the banks coincides with a record number of bankruptcles among construc-tion companies in the eastern states as the strong growth in this sector begins to subside.

Construction growth in east-11 per cent this year compared with 22 per cent last year.

Berliner Bank, one of Maculan's German bankers, said the credit line would be extended until November, when it is expected that Roland Berger & Partner, the consultants, will have drawn up a restructuring package for Maculan, a familyowned business based in

Maculan has long-term debts of Sch1.9bn (\$190m) and short-term debts of about the

A group of Austrian banks last month extended new secured credits totalling Sch700m to the company.

Maculan, which rushed into eastern Germany after reunification in 1990 and managed to win one of the contracts offered by the German government to build housing for Russian soldiers returning to the former Soviet Union from east Germany, yesterday admitted it expanded too fast in eastern

"We did not restructure the companies which we had bought from the Treuhand and we did not respond to the growing competition from non-German companies and their lower labour costs," said Mr Thomas Winkler, investment relations manager for Maculan.

Its turnover in eastern Ger many rose from Sch4bn in 1990 to Schl5bn last year.

The Association for the German Construction Industry yesterday said it expected insolvencies among east German construction companies to double this year, rising to 1,200

"One of the reasons is oversaid Mr Heiko Stiepelmann, spokesman for the

He added that the number of east German construction companies would have doubled to 15,000-16,000 over the past three

"The other reason is that productivity among east German businesses is still far below west German levels. These companies have not coped with pressure on labour costs from foreign companies,

he added. The insolvencies are swelling unemployment in the sector. The total number of construction workers without jobs rose to 47,000 for the first nine months of this year, which is a 50 per cent increase on the same period a year ago.

# Ukraine softens economic stance in new plan

By Matthew Kaminski in Kier

yesterday unveiled a longawaited economic programme that attempted to make a compromise between market and command policies.

In introducing the plan before parliament, Prime Minister Evhen Marchuk reiterated Ukraine's commitment to low inflation and a tight budget agreed with western donors. But the ex-KGB chief also gave short shrift to privatisation and spelled out a dommant role for the state in industry.

The mixed message consted with the clear commi ment to radical reform shown by President Leonid Kuchma, who launched the country's economic overhaul a year ago. The change suggests political pressure from Communists, the largest party in parliament, may have softened the

Mr Marchuk faces conflicting political pressures to gain parliament's support, or face dissolution, and secure conditional IMP and World Bank assistance to buy energy before winter.

dan last night but pro-reform MPs in the ensuing parliamen-tary debate criticised the lack of emphasis on privatisation, which has failed to take off after Mr Kuchma's initial push last year. But Mr Marchuk said: "Pri-

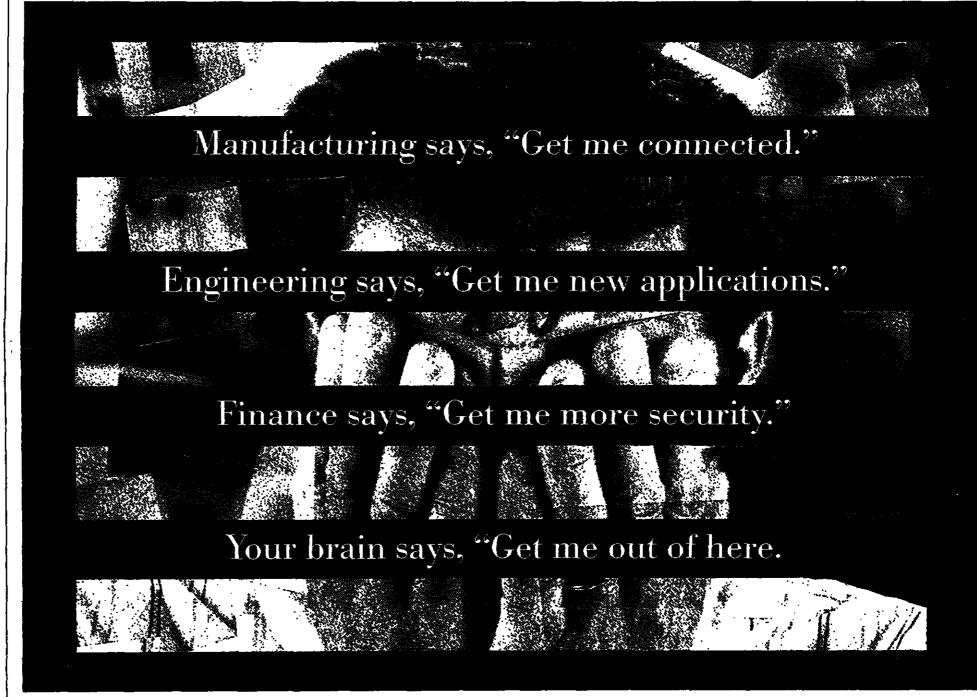
vatisation cannot be an end in

The litmus test for economic success, the prime minister said, would be growth in manufacturing. The plan calls for the state and private banks to jointly invest in strategic state-owned enterprises, such as technology, he said, adding higher import duties would provide protection for domestic industry. "By the end of next year, Ukraine will have a mixed economy," the prime

While the emphasis on man-ufacturing pleased Communist MPs and the industrial lobby. Mr Marchuk also promised to decrease the "paternalistic role of the state" and ensure fair competition by ending state subsidies and tax holi-

Mr Marchuk also said that wages and pensions would rise but warned "we cannot live beyond our means". Budget expenditures were due to stay constant while greater emphasis would go to improve revenue collection. Ukraine would also speed the overhaul of the troubled energy sector by improving collection and exploiting Black Sea reserves to reduce dependence on Russian oil and gas.

Breaking previous promises to loosen monetary policy, Mr Marchuk said Ukraine would meet the 2 per cent monthly inflation target by year's end. If the government policies were implemented, he added. industrial and agricultural output would rise 1.6 per cent and 1.2 per cent respectively in 1995. GDP fell 12 per cent in the first balf of this year.



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Solutions for a small planet

The Nobel chemistry prize has been awarded to three atmospheric scientists who first raised the alarm over the destruction of the protective ozone layer by man-made chemicals.

Two are American - Professors Mario Molina, born in Mexico and now working at the Massachusetts Institute of Technology, and Sherwood Rowland of the University of California at Irvine - and one is Dutch, Prof Paul Crutzen of the Max Planck Institute for Chemistry in Mainz, Germany. Much of the work that led to

the prize was carried out during the 1970s. The three showed that map made chemicals - particularly the chlorofluorocarbons (CFCs) then used in aerosols, refrigerants and insulating materials were breaking down the molecules of ozone in the upper atmosphere that protect life on Earth from the sun's harmful ultraviolet radiation.

Their research led to some restrictions on CFCs before the British Antarctic Survey proved that there was an "ozone hole" over the South Pole in 1985. They provided the scientific foundation for the international Montreal Protocol phasing out CFCs, which

was agreed in 1987. "By explaining the chemical mechanisms that affect the thickness of the ozone layer. the three researchers have contributed to our salvation from a global environmental problem that could have catastrophic consequences," said the Royal Swedish Academy of Sciences in its Nobel citation.

The physics prize went to two nuclear physicists from the US - Professors Martin Perl of Stanford University and Frederick Reines, from the University of California at Irvine for discovering a pair of subatomic particles. The neutrino and tau particles are fundamental building blocks of matter and important ingredients in understanding the laws and forces of the universe.

# Clinton in plea to win Nobel preserve aid to poor

By Robert Chote, Economics



Clinton yesterday urged the Republican Congress not to cut US support for the World Bank's concessionary loan facility for poor nations, arguing that it was an invest-

ment in the export market of A joint conference committee of the Senate and House of Representatives is to meet soon to try to agree the latest US contribution to the International Development Association (IDA). The administration had hoped to contribute

\$1.38bn in the 1996 financial vear but the Senate wants to pay only \$775m and the House \$575m. If the US cuts its payment, other countries can do so in proportion. "It's simple. The IDA is

essential," Mr Clinton told the World Bank annual meeting. He said contributing would be Bank soft loans made through

16.7bn

16.2bn

OVERSEAS DEVELOPMENT AID

2bn

2.2bn

ODA (at which IDA)

good for narrow US interests but that it was also the right thing to do for the world. "Resolving the funding for dealing with today's despair will save the world and the United States a lot of money and perhaps even precious lives in the future.

"Many in the Congress have forgotten that the IDA recipients of yesterday - countries like South Korea, Indonesia, Turkey, China, Chile - are today among America's most important trading partners. Those who are reminded of this perhaps will be tempted to change their position," he said.

"Restoring funding for IDA is one of our administration's top priorities because it is the right thing to do. Of course it serves our interests, but it is also the right thing to do. And it is not necessary - not necessary - for the United States to walk away from its commitment to balance the national budget. Don't let anybody tell you that it is."

The burden placed on World

5.3bn

4.1bn

ODA (of which IDA)

1.5bn

1.2bn

President Clinton, who addressed the World Bank meeting yesterday: Contributing to the IDA the right thing to do

The NGOs welcomed the can voluntary development Vorld Bank's efforts to keep organisations, said it was World Bank's efforts to keep IDA afloat and the organisation's greater willingness to discuss the social and distributional consequences of the macroeconomic policy it demands from countries to which it gives assistance. But some of the more radical NGOs are uneasy at this apparent rapprochement between the

president of the forum of Afri-

much easier to have a meaningful dialogue with the bank and its staff than it had been 10 years ago. Mr Wolfensohn conceded that "there will always be some people at the World Bank who don't like NGOs and never will and there will be some in the NGO community who will never like the bank." But he said these were small groups.

voluntary sector and the bank. Mr Abdou El Mazide N'diaye,

Editorial Comment, Page 13

INTERNATIONAL NEWS DIGEST

# Israel frees 900 **Palestinians**

israel evacuated military administration offices in three Palestinian villages yesterday and said it had released 900 Palestinian prisoners in the first steps toward implementing the second stage of the Palestinian-Israeli peace agreement.

The three villages, and a fourth that was evacuated on Tuesday, are the first of 450 whose civil and police control will be handed over to the Palestinian Authority. Israel maintains the right to enter these villages throughout the interim stage. The September 28 accord, which widens Palestinian rule in the West Bank, calls for Israel to withdraw completely from six big towns and part of a seventh in coming months.

The prisoner release went ahead despite expectations that many would refuse to leave in protest at the continued incarceration of four women.

Israel did not release the women because it said they had Jewish "blood on their hands." Earlier in the week 20 female prisoners had refused to leave prison to show solidarity with the four. The peace agreement calls for the release of all

More than 4,000 Palestinian prisoners remain in Israeli jails. Last month's accord calls for them to be released before Palestinian elections and talks on a final status settlement both scheduled for next spring. Mark Dennis, Jerusalei

#### Lebanese president to stay on

Lebanon's political leaders have agreed to extend pro-Syrian President Elias Hrawi's six-year term which expires next month, Syrian President Hafez al-Assad has said. His comments, which angered exiled Christian Lebanese leaders, appeared to indicate that the thorny presidential issue had been resolved in favour of extending Mr Hrawi's term rather than holding an election next month.

Syria's 35,000 troops in Lebanon make it the country's ultimate power broker and few political decisions are taken in Beirut before consulting with Damascus. "In general, everybody was with the extension. All three, the president, parliament speaker [Nabih Berri] and prime minister [Rafik al-Hariril," Mr Assad said in newspaper interviews. Government officials in Beirut say Syria prefers to stick with Mr Hrawi as a known friend while it confronts serious regional problems and unfinished peace talks with Israel. Opponents, particularly in the Christian minority who resent Syrian influence in Lebanon, see the proposal as a threat to

#### Iraq misled UN arms inspectors

The United Nations official in charge of scrapping Iraq's weapons of mass destruction said yesterday that Baghdad had misled his inspectors and had made more advances in all weapons areas than previously thought.

In a 38-page six-month report to the Security Council, however, Mr Rolf Ekeus, head of the UN Special Commission, gave no time frame for when his work would be completed. He said only that if "Iraq were genuinely to translate its statements into action, there would be a real hope for the completion of the task entrusted to the Special Commission within a reasonable time-frame".

The tenor of his report, however, was negative and Mr Ekeus said the commission's preliminary analysis of new documents Iraq had revealed in August showed Baghdad had been concealing prohibited arms activities, causing the commission to revise many earlier assessments. He said Irao had concealed a large biological weapons programme, its chemical missile warhead flight tests and work on developing a missile to deliver a nuclear bomb. Reuter, New York

# Africa to resolve local election difficulty

industrial countries have pared

back their aid budgets. Official

development aid to sub-Saha-

ran Africa and South Asia was

worth nearly 15 per cent less last year than at the beginning of the decade, according to

World Bank figures published

Official aid to sub-Saharan

Africa totalled \$15bn in 1994,

equivalent to less than \$29 a head. It has fallen by 10 per

cent since 1990, adjusted for

changes in import prices and

excluding aid in the form of

technical assistance. Aid to

South Asia has meanwhile

dropped by nearly 25 per cent

By 1994, about 40 per cent of

official development aid to

South Asia came in the form of

IDA loans, compared with less

Mr James Wolfensohn, the

new World Bank president, and heads of three develop-

ment related non-governmen-

tal organisations (NGOs) put

aside their traditional institu-

tional hostility yesterday to

Ms Julia Taft, president of the InterAction umbrella group

for US NGOs, said Congress

was considering cuts in country-to-country aid as well. "By

the turn of the century, the

flow of development assistance

could be little more than a

make a joint plea for IDA.

than 30 per cent in 1990.

to \$4bn, or \$3 a head.

yesterday

By Roger Matthews in Johannesburg

The South African parliament met in emergency session vesterday to approve the final piece of legislation to permit local elections to be held as

scheduled on November 1. The local elections are the final stage in the three-tier system of democracy provided for in the interim constitution. and the new structures will form a vital element in delivering basic services to many deprived areas.

The special parliamentary session had to be called after the Constitutional Court ruled

last month that an amendment the ANC abandoned another giving President Nelson Mandela the power to issue proclamations relating to the elections was invalid. The court gave parliament until October 24 to rectify the situation, or

call off the elections. With campaigning already well under way, the African National Congress used its majority in a parliamentary sub-committee to push through the necessary amendment, despite opposition from the National party, its partner in the government of national unity. This should clear the way for parliamentary approval. At the same time,

clause which could have provoked a fresh appeal to the Constitutional Court. Mr FW de Klerk, the leader

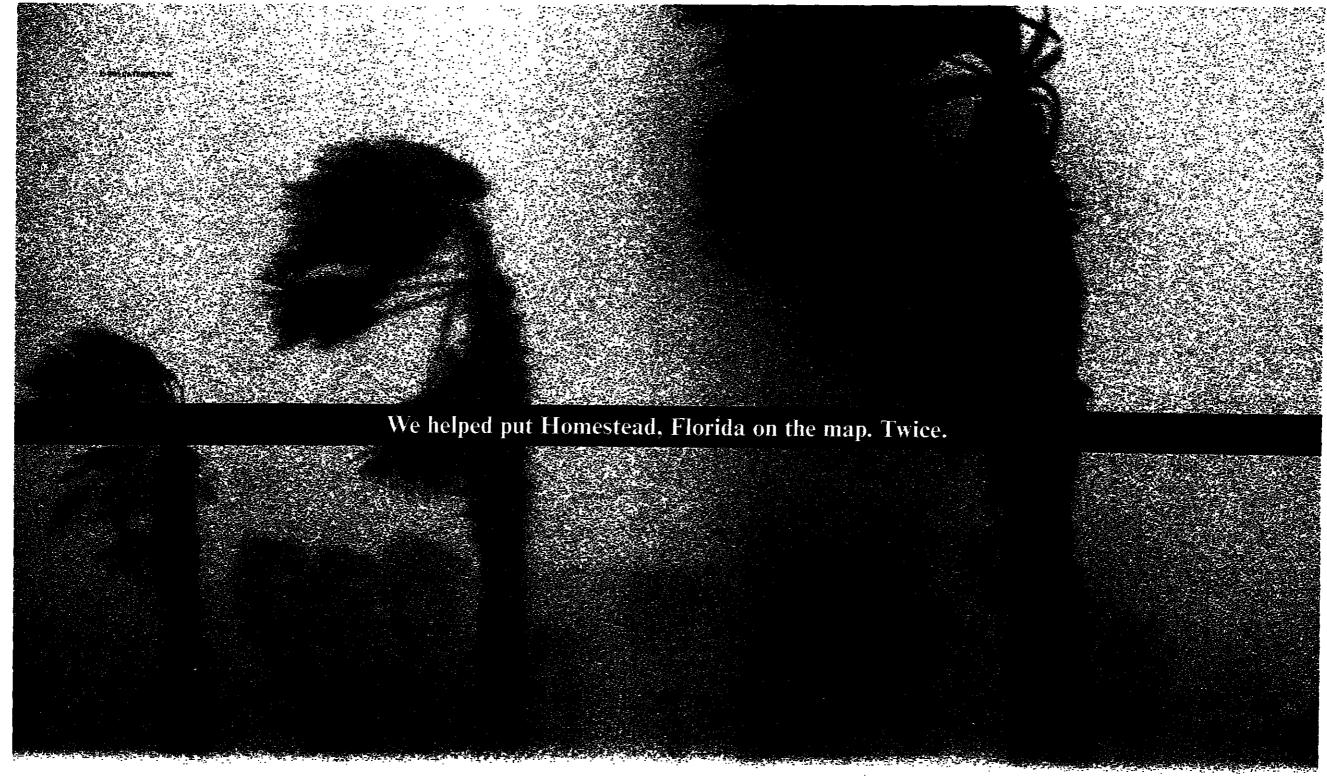
of the National party, while declaring that the government was functioning well, has challenged the ANC to pledge its total commitment to free market policies, and promise not to resurrect its former left-wing dogma if it ruled alone. He complained that the special inner cabinet committee. formed to seek new ways of accelerating economic growth, had not met for some time, and there was no indication that it would meet again.

The National party is also seeking to portray the ANC as soft on crime, an issue which may come to dominate the campaign. President Mandela has laid the blame for worsening crime figures on the apartheid system and the National party, which he said devoted 80 per cent of police resources to white areas during the time it

was in power. The organisation of the election is likely to command almost as much attention as the issues. Unlike the April 1994 general election, only those electors who have registered can vote, and they have to go to specified polling sta-

tions. The national average of those registered is about 70 per cent, and there are continuing attempts by some ANC officials to get the lists reopened in order to prevent frustrated voters being turned away on polling day. Voting in the troubled prov-

ince of KwaZulu-Natal has been postponed until next year because of unresolved arguments over boundaries and the role of traditional leaders in the new democratic arrangements. Even without those unresolved issues, voting might have been put off due to the serious level of political murders and criminal violence.



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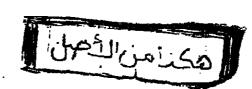
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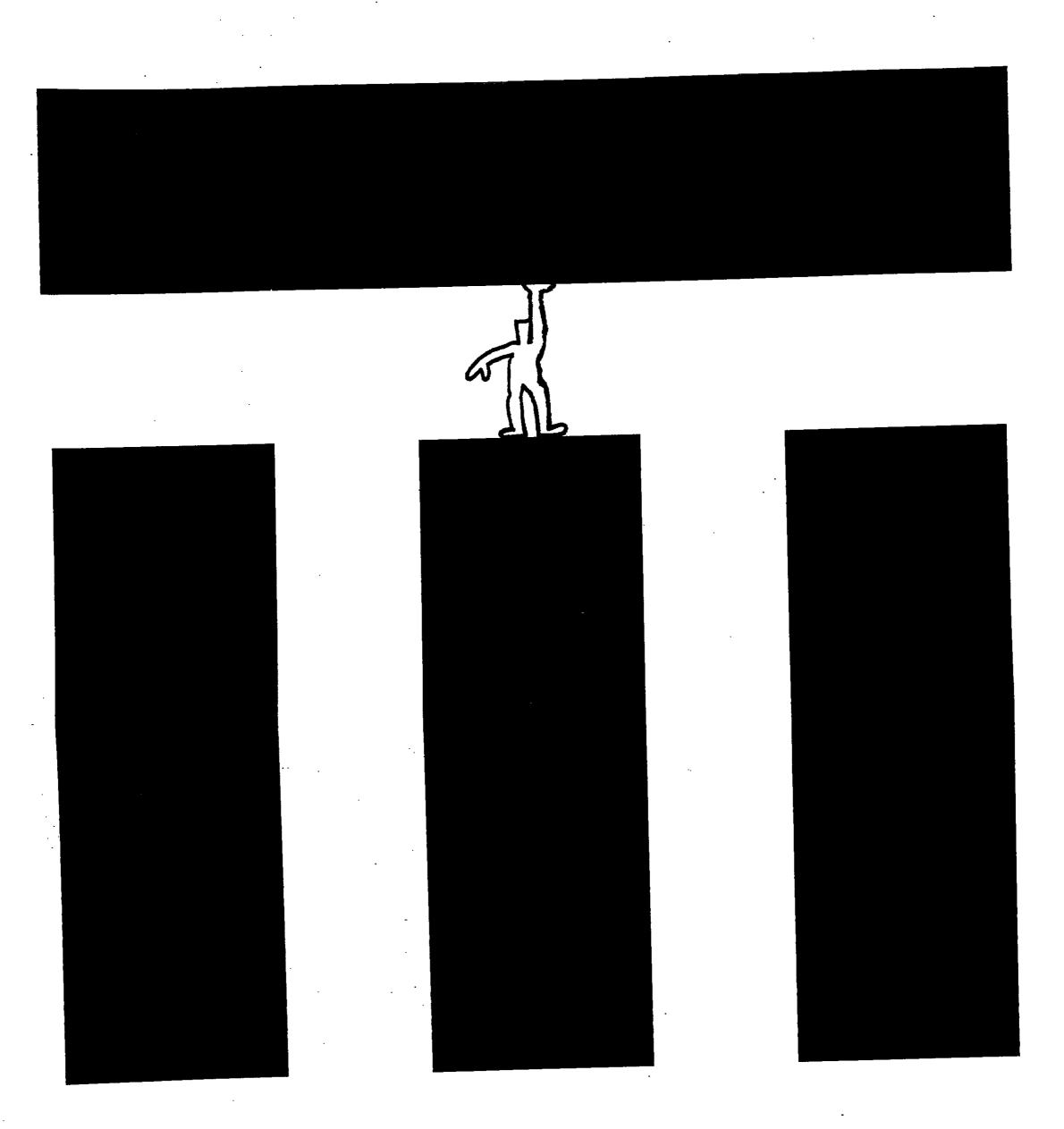
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Chris Patten making his policy speech to legislators yesterday as Mr Andrew Wong, the LegCo president, listens

# Patten warns LegCo he may veto new laws

By Simon Holberton in Hong Kong

Mr Chris Patten, Hong Kong's governor, yesterday warned the colony's newly elected Legislative Council he would veto any enacted legislation he thought was contrary to Hong Kong's best interests.

But he sought to strike a populist note in announcing termination of a controversial labour importation scheme and pledged more money for Hong Kong's disadvantaged.

Mr Patten's threat to use his reserve powers, given at the opening of a new LegCo session, was heavy with irony. He has just ended a two-year battle with China to broaden Hong Kong's democratic franchise.

It was a battle which resulted in Beijing's vowing to dissolve the assembly on resumption of sovereignty in mid-1997, but which may now mean his having to resort to quasi-dictatorial powers to keep Hong Kong's representa-

His warning was directed at lawmakers in the pro-democracy camp who, after last month's elections, promised to amend past Sino-British agreements, especially the one relating to Hong Kong's legal sys-

Mr Martin Lee, chairman of the Democratic party, vowed to use private members' bills to promote more welfare-oriented social policies.

During last month's LegCo elections, the government's labour importation scheme became the focus of public anger over rising unemployment. Over 100,000 are jobless in Hong Kong. 3.5 per cent of the workforce and the highest

Under the scheme, companies could import up to 25.000 foreign workers, although they had only availed themselves of 16,000. Mr Patten said the scheme would be allowed to run down and, from the beginning of next year, a much more restricted scheme permitting only 5,000 imported workers would be introduced. Mr Lee said he was "disappointed" with the governor's proposal and would seek abolition of the scheme.

Mr Patten said benefits for the elderly, single mothers and the unemployed would be raised, some by more than 50 per cent, from next April.

Mr Patten's address. designed to show he remained in control of events, included a long section seeking to show how he had fulfilled much of the social agenda he outlined three years ago.

His address yesterday was the last "policy" speech he would make to LegCo. This time next year would be an occasion to focus on "how we are handing over Hong Kong in good order, its stability intact and prosperity secure".

Britain and China had reached some important agreements affecting Hong Kong in London last week. He re-stated his willingness to work with China for a smooth transfer of sovereignty. At the start of next year, China will appoint a "preparatory committee" to oversee transfer of sovereignty and selection of Hong Kong's first "chief executive", as the governor will be known.

The government had proposed, and China accepted, setting up a liaison office to provide an efficient central point of contact with the preparatory committee, Mr Patten added.

# Daiwa to be punished for losses cover-up

Mr Masayoshi Takemura, the Japanese finance minister, said yesterday his government would take punitive action against Daiwa Bank over the cover-up of massive bond trading losses by a trader at its New York branch.

Mr Takemura refused to specify the measures planned, but it is thought the bank is likely to be the first Japa-nese city bank, or leading commercial bank, to receive a formal order to

improve its operations. Such an instruction, issued under the country's banking law, is a measure usually reserved for the most extreme cases of incompetence or corruption. But the Finance Ministry refused to give further details of its own role in the failure to disclose full details of

the losses. On Monday, officials acknowledged the ministry was told about the \$1.1bn (£700m) loss at a meeting on August 8, nearly six weeks before US authorities were

the US Federal Reserve, saying, "It was Daiwa's responsibility to report the incident to the US regulators." He said the ministry had prior warning only of a vague outline of the losses. It was not given full details until after Daiwa had completed an internal investigation on September 12.

US officials are reported to be deeply unhappy with the ministry's actions. The August 8 meeting of Daiwa's president and the senior official notified. One official yesterday in charge of banking supervision at

the ministry took place at a sensitive time in relations between financial authorities in the US and Japan, when the two countries were said to be co-operating closely on interna-

tional financial matters.

During the summer, US officials had repeatedly expressed concerns about the stability of the Japanese financial system. They were reassured both publicly and privately by their Japanese counterparts that the system's problems were manageable. But it now appears the Finance Ministry

withheld information from the US authorities that could have been regarded as central to US concerns.

Financial market observers in Tokyo yesterday felt the ministry's admission had created further prob-lems for the beleaguered Japanese banks. "This is a question of trust." said Mr David Snoddy, analyst at Jardine Fleming. "It has deeply damaged the reputation of the ministry among international investors. That represents another blow to confidence in the system as a whole."

# Chaebol reassess foreign plans

South Korean curbs are forcing a readjustment, writes John Burton

The Seoul government's new restrictions on overseas corporate borrowing are forcing South Korean industrial groups to reassess their foreign investment plans.

Samsung and Hyundai, for example, were busy yesterday readjusting financing arrange ments for their proposed semiconductor plants in the US. although both companies said the projects will proceed.

Korea's big conglomerates, the chaebol, have been relying heavily on banks and capital markets abroad to finance an ambitious agenda of foreign

Worried about rising foreign debt, the Ministry of Finance and Economy this week announced that companies would have to raise 20 per cent of the funds in Korea for foreign investment projects above

This will add to the expense of overseas investments since Korean interest rates are 5-6 per cent higher than abroad. "There is no doubt about it that these measures will force companies to review and revise their foreign investment plans. We will be likely to see some projects dropped and others delayed," said a spokesman for the Federation of Korean Industries (FKI), which represents the country's leading

The new funding requirements "will make some foreign projects unprofitable because it will increase their financial costs. I expect investments projected to have a modest rate of return will be cancelled," said Mr Lee Hahn-koo, presideut of the Daewoo Economic

But government officials have expressed worries about the growing size of Korea's total foreign debt, which has climbed from \$48.4bn in June

1994 to \$70.2bn last June. The imposition of limits on foreign borrowing is meant to prevent Korea's over-leveraged chaebol from increasing their debt burden. "The most benign interpretation of the government's action is that it wants to stop the chaebol from taking risky investments abroad," said Mr Lee. The main chaebol are prepar-

ing to expand their overseas operations greatly over the next several years. Daewoo, for example, plans to spend 40 per cent of its total investment in This will particularly hurt medium-sized Korean compaforeign countries by 2000, up from the present 10 per cent. nies that want to expand But Daewoo's proposals to abroad because they have a harder time raising capital in

invest at least \$1.6bn on car making facilities in eastern Europe have encountered domestic criticism. The progovernment Korea Herald said in an editorial supporting the measures that Daewoo's proposed \$953m takeover of the Polish carmaker FS Obobowych "may be too much and too soon, in view of the modest level and wariness on the part of most Western countries

investing" in Poland. Officials worry that, if such investments fail, the govern-Some analysts believe politi-

ment will eventually be responsible for bailing them out as in the 1980s, when Korean construction projects in the Middle East went sour. cal factors also lie behind the new curbs. "This is a last attempt by the government to

retain control over the chae-

bol," said Mr Yun.

The government traditionally used state-directed bank loans to keep a leash on the chaebol. But the chaebol's growing dependence on foreign and domestic stock and bond markets for financing is weakening the government's ability to guide their future develop-

"Foreign lending, in particular, poses a danger to state control over the chaebol because it is beyond the government's jurisdiction. By mandating domestic funding for foreign investments, the government still has a hook in the chaebol," Mr Yun

explained. In addition, the government has expressed concerns about an exodus of high-technology and strategic manufacturing abroad, which would undermine its policy of creating a strong domestic industrial

The chaebol argue that industrial expansion overseas is necessary to improve Korea's economic competitiveness in foreign markets.

The foreign investment curbs raise new doubts about Korea's commitment to finan-cial liberalisation as it prepares to join the Organisation for Economic Co-operation and Development. Korea had promised to abolish most controls

on overseas borrowing by 1999. The FKI is hoping it may persuade the Ministry of Finance and Economy to modify the measures. FKI officials noted that the Ministry of Trade. Industry and Energy has expressed opposition to the foreign investment curbs as being harmful to Korean indusASIA-PACIFIC NEWS DIGEST

# **Keating returns** fire on Murdoch

Mr Paul Keating, Australia's prime minister, yesterday hit back at criticism by Mr Rupert Murdoch, the international media proprietor with large newspaper publishing operations in Australia, about the state of the country's economy. claiming it was robust, rather than "terrible" as Mr Murdoch

Mr Murdoch, in Adelaide for his News Corporation's annual meeting on Tuesday, had described the economy as a 'disgrace", and pointed to an unemployment figure of over 8 per cent, and much higher levels of youth unemployment.

Yesterday, Mr Keating countered, telling a press conference that "with an election up to half a year away, it is a good opportunity for me and the government to confirm again simply how strong the Australian economy is". News Corp, he continued, should become involved in the government-sponsored training programmes to help ease the high rate of youth unemployment.

The falling-out between News Corp and the government appears to be less bitter than a fracas earlier this year between Canberra and Mr Kerry Packer, another Australian media tycoon. But Mr Murdoch's comments come at a sensitive time, with pre-election campaigning under way and the government lagging in the polls. They were interpreted as a sign that the businessman may be hedging his political bets before a potential change of government.

#### NZ chemical fumes hurt 50

At least 50 people were admitted to hospital yesterday after a fire and explosion at a New Zealand insecticide plant sent toxic fumes into the atmosphere, emergency services said. More than 700 people living near the south Auckland plant were evacuated from their homes as over 100 firefighters and 27 engines battled to put out the blaze. The fire service declared a red alert, its highest level and the first such alert in Auckland for a decade. But it was lifted around five hours

#### Suu Kyi regains party post



Burma's democracy leader Aung San Suu Kyi (pictured left) has been reappointed general secretary of the party she helped found seven years ago, which went on to sweep a 1990 election, party members said yesterday. Ms Suu Kyi, released from six years of house arrest in July. was reappointed general secretary of the National League for Democracy at a party meeting on Tuesday. Two other senior party members released from prison in March were appointed vice-chairmen. Mr

Tin Oo, a former senior military officer who founded the party with Ms Suu Kyi in 1988, was appointed vice-chairman, as was Mr Kyi Maung. He led the party to its May 1990 election victory, after Ms Suu Kyi and Mr Tin Oo were imprisoned, until he too was imprisoned later that year.

The NLD was formed in September 1988, days after the military crushed a democracy uprising and set up the ruling State Law and Order Restoration Council (Store). Less than a year later Ms Suu Kyi was placed under house for endangering the state". Despite her detention, the NLD took 392 of 485 parliamentary seats in a May 1990 election, but the Slore ignored the result and launched a sweeping crackdown on all opposition, imprisoning many senior NLD members at the national and local level. The rump of the party, led by Mr Aung Shwe, formally expelled Ms Suu Kyi after pressure from the Slorc in December 1991, shortly after she won the Nobel

#### Shanghai to get £2.8m UK aid

The UK has approved aid grants of £2.8m (\$4m) to combat industrial pollution and improve the municipal water supply in Shanghai, the British Overseas Development Administration said yesterday. British experts commissioned by the ODA would work with the Chinese authorities on projects aimed as strengthening Shanghai's pollution monitoring, promoting pollution control techniques and producing a plan to ensure an adequate and safe water supply for the city to 2000.

 China's industrial output rose by 13.4 per cent in the first nine months of the year to Yn1,282bn (\$154bn), the State Statistics Bureau said in a report. Industrial output growth in the third quarter increased by 12.3 per cent, from 14 per cent in the second quarter and 14.4 per cent in the first quarter. China has identified 474 state-owned enterprises that could be merged or declared bankrupt in an attempt to eliminate loss-making industries in 18 pioneer cities, the China Securities said on Tuesday. Of the 474 enterprises, 161 have started the process of going bankrupt, it said, quoting Mr Chen Qingtai, vice-minister of the state economic and trade commission. Of these, 58 state companies have already declared themselves bankruptcy, 20 are in the process of going bankrupt and 83 are about to start down the road to liquidation, he said.

 US giants Coca Cola and Pepsico have grabbed an 18.5 per cent share of China's fast growing soft drink market, the People's Daily said on Tuesday. China produced 6.27m tonnes of soft drinks and other beverages in 1994, or nearly 22 times the level of 1980, which translates into an average annual growth of 25 per cent, the newspaper's overseas edition reported. Yet Chinese consumers still drink just an average 5kg a year, or one-ninth the global average, leaving room for continued growth, the newspaper said.

Reuter, Beijin

#### Spratly talks under way

The sixth round of talks on the disputed Spratly Islands opened on Tuesday with Indonesia, the host, urging claimants to avoid turning the area into Asia's next flashpoint. They are the first such talks since tensions between rival claimants returned to the surface this year, with rows between China and its neighbours. The Spratlys are a cluster of potentially oil-rich isles and reefs in the South China Sea claimed wholly or in part by China, Taiwan, the Philippines, Vietnam, Malaysia and Brunei.

Reuter. Batikpapan. Indonesio Malaysia and Brunei. Reuter, Balikpapan, Indonesia

The Philippine economy is not in danger of overheating despite an annual inflation rate at a 45-month high of 11.8 per cent in September, Morgan Stanley Asia said. Mr Michael Taylor said in a research paper the rise was due to food price increases, particularly rice: "The inflation figures, in detail, then, hardly suggest that inflation is raging out of control because of excessive monetary laxness."

Reuter, Mani

Wave of applications follows first stage of liberalisation

1990 91 92 93 94 95

Korea than the chaebol," said

Mr Jonathan Dutton, an ana-

lyst with SG Warburg Securi-

Korean foreign investments

have risen sharply since Sep-

tember 1992, when the govern-

ment relaxed restrictions on

overseas financing. Foreign

subsidiaries of Korean chaebol

were allowed to borrow from

financial institutions abroad

and use the money to establish

manufacturing plants and

tions was crucial to the over-

seas advancement of Korean

industry because companies,

which face a shortage of credit at home, were able to tap a larger source of cheaper funds

abroad," said Mr Eugene Yun,

chief economist at Schroders

Securities in Seoul.

The easing of the restric-

acquire companies overseas.

Research Institute.

ties in Seoul.

# hais rethink insurance permits

By Ted Bardacke in Bangkok

An unexpectedly large wave of applications for insurance licences in Thailand has forced the government to reconsider its decision to offer an unlimited number of new licences.

The booming Thai insurance market, worth about Bt85bn (\$3.4bn) a year and growing at least 20 per cent annually, attracted applications from some of the biggest names in Thai industry, such as agro-industrial conglomerate CP Group, building materials giant Sahaviriya and Finance One, Thailand's largest nonbank financial group. In total, 43 companies applied for life insurance licences and 44 for

Thailand since July, have claimed 171 lives and caused nearly Bt3bn (£75m) in a government statement said

non-life licences, the nies have played up worries

Monsoon floods, ravaging damage to crops and property, yesterday, Reuter reports from Bangkok. Heavy rains have displaced more than 1m people

Commerce Ministry said. The last new licence was awarded in 1981, and the present programme is the first part of a three-stage liberalisation of the Thai insurance industry. Once the new companies are operating, the foreign owner-ship limit will be raised to 49 per cent (25 per cent now). Existing insurance compa-

that the indiscriminate awarding of new licences will cause the industry to become too cut-throat, leading to financial failures by new and old companies. These warnings are compounded by a lack of trained personnel for the sensitive tasks of risk management.

in 66 of the country's 76

due to be harvested by the

end of this year has been

be the worst in nearly 12

provinces, it said. The

Officials at the Commerce Ministry have remained noncommittal about whether they

will follow the previous gov-ernment's plan to award licences to all qualified applicants, saying they want to study the applications first. An authorities estimate that 6 per cent of the main Thai rice crop announcement should be made within 90 days. destroyed in the floods, said to Thailand already faces a shortage of about 10,000

trained workers for the insurance industry, the Thai Life Assurance Association says. Existing companies report losing as many as 30 per cent of their staff to new applicants. Salaries in the industry have doubled in some cases. Some existing companies are

planning to step up their reinsurance business to serve the newcomers; others have taken foreign partners to bolster

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# Islamic militia opens attack on Afghan capital

By Farhan Bokhari and agencies

Afghanistan's Islamic talibaan militia yesterday launched an offensive on Kabul. The attack follows several months' speculation that talibaan fighters were preparing an offensive to oust President Burhanuddin

The strategic town of Char-asstra, 20km south of the capital, has been captured from forces loyal to the president, putting talibaan forces within rocket range of Kabul, according to reports reaching western sources in neighbouring Pakis-

There were few reports of casualties in yesterday's fight-ing, but at least one rocket landed in south west Kabul,

residents said.

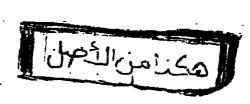
This latest development again raised fears of another round of fighting in Afghanistan, especially as reports poured in that Mr Rabbani's government was preparing a counter-attack. Since Soviet forces left in 1989, no single faction among Afghanistan's various Islamic and ethnic groups has proved strong enough to take charge of the entire country.

traditional religious schools who many believe are backed by Pakistan - appear to have strengthened their position since last month, when they invaded the western city of Herat. Their motives are still unclear except that they say they want to restore peace to

the country. However, the small number of westernised Afghans worry that they would try to introduce a new brand of Islamic fundamentalism.
Meanwhile, concerns are

mounting about a worsening humanitarian crisis which some observers believe has undermined peace efforts.
Earlier this week, the United Nations published its annual appeal seeking up to \$124m in aid for the next 12 months.

However, donors have given less than 80 per cent of the \$106m sought last year. Many are concerned that new money will end up in projects that are destroyed in fresh fighting. But UN officials are urging donors to consider that many young Afghans who are well armed will find it hard to give up their weapons unless new economic opportunities are available.



By Frances Williams In Geneva

The World Trade Organisation yesterday set up independent dispute panels to rule on com-plaints against the European Union by Canada on cereals tariffs and by Peru and Chile on labelling regulations for scallops.

However, the EU rejected a panel request by the US, also on cereals tariffs, saying that consultations now under way had "every chance of reaching a successful result". If the dispute is not resolved, under WTO procedures the EU must agree to a panel at the next meeting of the dispute settle-ment body on November 1.

The body was also told that a recommended list of candidates for the seven-member appellate body had been drawn up and would be presented to WTO members no later than November 1. The selection has been held up for months by EU and US demands for two seats each, which they have now had to abandon.

Ambassador Don Kenyon of Australia, the disputes body chairman who presided over the six-man selection committee, said yesterday that the committee had concluded its deliberations but that a "very WTO members had requested a short time "for reflection". This is thought to refer to a last-ditch effort by Brussels to get the Swiss nomination substituted for the candidate from New Zealand.

 $\mathbb{N}_{\mathbb{P}^*}$ 

The other chosen appeals judges are thought to be from the US, Germany, Egypt, the Philippines, Uruguay and

The cereals complaints relate to Brussels' use of reference prices to set tariffs rather than the prices of individual grain shipments which, it is argued, violates the terms of the WTO's farm trade agreement.

Peru and Chile are complaining about French labelling regulations which prevent their scallops being described as "coquilles Saint Jacques". although they are claimed to be identical to the French vari-

# Farm row halts Apec trade talks

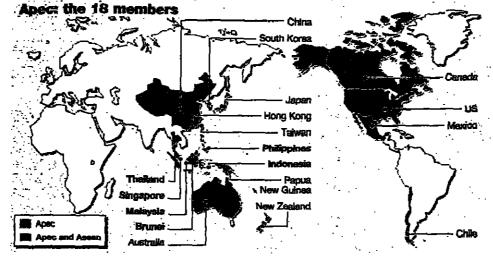
By William Dawkins in Tokyo

Members of the Asia Pacific Economic Co-operation forum, representing half the world economy, yesterday failed to resolve a deadlock over plans to liberalise trade in goods and capital by early next century.

Senior officials of the 18 Apec member countries, chaired by Japan, broke off talks yesterday morning. unable to narrow a split over whether farming should be included in plans to bring free trade in the region by 2010, with developing countries join-ing in 10 years later.

"Each member just repeated his basic stance...the basic structure of confrontation remains unchanged," said a Japanese foreign ministry official. Differences were too deep to be resolved by simply

rewording the plan, he said. The dispute will now be passed to trade ministers for a final attempt at a political accord, three days before Apec leaders meet for a summit in Osaka on November 19, Failure



to resolve the row would jeopardise the summit's hopes of agreeing on a so-called "Action Agenda", a schedule for imple-

yesterday admitted that he had "not told negotiators to go so far as to make extensive conmenting Apec's ambitions. Japan, China and South Korea want to exclude their uncompetitive farmers from the Apec principle, agreed at a summit last year, that trade

will be able to reach an agreement."
The region's top food export-

barriers to all sectors he dis-

mantled, Mr Hosei Norota, the

Japanese agriculture minister.

ers the IIS and Australia continue to demand that all sectors must be included, though US officials are prepared to countenance a phasing-in period for farmers. Exclusion of one sector, they argue, would cause others to demand special treatment, unravelling the whole Apec scheme.

There is also discord over whether Apec countries should extend free trade benefits unconditionally for all members, or have the right to demand rectorocal advantages first, according to officials. Here, the US and Australia are seeking firm rules, while Asian members want such gains to be automatic across Apec.

Officials had aimed for an accord by Tuesday evening, but extended the talks to yesterday morning when the seriousness of the deadlock became clear. Apec officials continue to meet in Tokyo for the rest of the week, which they will spend discussing the next item on their agenda. plans to improve economic and technical co-operation between

richer and poorer members. Apec's membership is diverse, embracing Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, South Korea, Taiwan, Thailand and

WORLD TRADE NEWS DIGEST

# Marks and **Spencer dips** toe into China

Marks and Spencer, Britain's most profitable retailer, yesterday opened an office in Shanghai as the first step in a possible move into retailing in China. The clothing and food group has opened the office to carry out detailed studies of the Chinese market, where it sees considerable potential for expansion. Ms Tracey Nelson, marketing manager for Asia, said M&S would not rush into China but, if it did expand

there, "it would not take long to get to a 50-store business".

The opening came only a day after M&S said it was looking for franchise partners in South Korea, following the success of its other stores in east Asia. It has company-owned stores in . Hong Kong and franchised outlets in Singapore, the

Philippines, Indonesia, Thailand and Malaysia.

Marks and Spencer already sources about £100m (£155m) of goods a year from mainland China, although much of this is through its suppliers, such as Courtaulds Textiles, which have Chinese operations. Neil Buckley, London

#### **Boeing hopes to have** super-jumbo flying by 2000

Boeing of the US has told British Airways it hopes to have a "super jumbo" jet flying by the end of the century. Mr Frank Shrontz, Boeing chairman, has written to Sir Colin Marshall, BA chairman, saying he regards the development of an enlarged version of the 747 aircraft as a priority. The enlarged aircraft would carry 600 passengers or more.

A joint study between Boeing and four European manufacturers - Aérospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain concluded earlier this year that there was not a big enough market to justify the building of a Very Large Commercial

Transport (VLCT) aircraft. Since the study, Boeing and Airbus Industrie, the manufacturer owned by the four European companies, have been examining the production of enlarged versions of existing aircraft. Michael Skapinker, Aerospace Correspondent

■ Cable and Wireless and the St Lucian government are to establish a joint venture telecommunications company, similar to other Cable and Wireless ventures in neighbouring islands. The British company will have a 60 per cent stake, with the government holding 25 per cent and the remainder sold to local institutional and individual investors. The value of the shareholding was not disclosed.

C&W has provided the government with information for preliminary discussions on the joint venture company, a government official said. Canute James, Kingston

■ Emery Worldwide has won a five-year contract extension to deliver parts and major power train components and sub-assemblies for Volvo GM Heavy Truck plants in Ohio and Virginia. The agreement with Volvo GM covers next day and second day delivery from 1,100 North American suppliers to the two truck plants. Reuter, Redwood City

#### Correction

Forfaiting rates in yesterday's FT Exporter were incorrectly attributed to Indosuez Aval Ltd. They were in fact provided by Standard Bank London Ltd.

# Chinese executive air travel venture takes off

Global Aviation, a Swiss-owned charter operator, yesterday announced a "strategic alli-ance" with China Southern Airlines to provide a new air travel service for executive visitors to China and medical

Mr Maurice Amon, chairman of Global Aviation, said the service would be aimed at busy executives who wished to include a number of centres in China in their schedule but had limited time.

At present, executive charter flights into China are restricted, and the lack of adequate locally-based services leaves a gap in the market.

The new charter company will operate from a recentlycompleted airport in Zhuhai special economic zone in southern China. Global Aviation, through Aeroleasing Far East, its wholly-owned subsidiary, has been providing executive air charters in Asia since 1988, but its tie-up with China Southern opens an important

Mr Amon said "start-up" investment in the new venture amounted to about \$5m, but he expected the company's activities to grow rapidly.

China Southern, which is one of China's leading regional airlines, will receive payment from the new enterprise on the basis of a percentage of flight Mr Amon is also chief execu-

tive of Sicpa Holdings, the world's largest privately owned ink manufacturer. Sicpa with Zim, a new China fund, recently acquired a controlling interest in Shanghai Printing Ink Factory, China's largest ink manufacturer. Global Aviation, which has

Singapore, flies Falcon jets for executive travel, and Lear jets primarily for medical evacua-Its aircraft are Swiss-regis-

tered and maintained and oper-

its main operational base in

nel. Mr Mike Timpani, the company chief operating officer, said the strategic alliance with China Southern would facilitate access to most airports in China.

 China said yesterday western competitors would have to wait until the end of the year to discover who would get to co-produce a 100-seat aircraft. a coveted prize in one of the world's most lucrative markets, Reuter reports from Bei-

Competing for the co-production deal are Boeing McDonnell Douglas, Daimler-Benz, and a consortium of Aerospatiale, British Aerospace, and Alenia, a unit of Finmeccanica of Italy. Samsung Aerospace Industries of South Korea has already been selected to take part in the project. The proposed aircraft would carry 100-120 passengers, have a range of 2,000km, and cost about \$2bn

# Argentine gas hope for Amoco

in Buenos Aires

Amoco of the US will step up activities in Argentina, where it intends to spend an initial \$100m on gaining a foothold in the potentially huge gas industry, according to Mr Robert Sheppard, president of Amoco Argentina Oil Company.

Amoco, whose interests in Argentina have been almost exclusively in oil production. wants to enter the gas business through acquisitions and by developing green field pro-

Mr Sheppard predicted opportunities in transporting gas from Argentina to other countries, particularly Brazil. Argentina has several underexplored basins which analysts believe may contain enormous gas reserves.

The southern cope of Latin America, which also includes Chile and Bolivia, was an attractive region in Amoco's global gas strategy," Mr Shep-

considering taking part in the privatisation of YPFB, the Bolivian oil and gas group, and might become involved in a project to build a gas pipe-line between Bolivia and São Paulo in Brazil.

The company this week signed an agreement with Agrium, a Canadian consortium, to study the feasibility of building a fertiliser plant in the Patagonian province of Neuquén. The plant, which would cost about \$400m. would be supplied by the El Mangrullo gas field and would produce 600,000 tonnes of urea and 50,000 tonnes of ammonia a year from 1999.

Mr Sheppard conceded that Amoco, which did not participate in the privatisation of Argentina's oil and gas business in the early 1990s, "missed out on some opportu-nities". The company had taken some time to realise that liberalisation of the industry "was for real".

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# AMA agrees | Colombian cocaine: down but not out to Republican health plans

American Medical Association, the most influential US healthcare lobby, has dropped earlier reservations and come out in support of Republican plans to reform Medicare, the health programme for the aged.

It did so after winning significant but unspecified changes in the draft legislation affecting Medicare payments to doctors and hospitals. The bill had earmarked more than \$26hn in savings through stricter limits on fees for medical services, prompting the AMA to warn last week that many doctors might refuse to take on Medicare patients.

It was not immediately clear where and how the Republicans would make compensating savings to achieve the stated goal of lowering Medicare costs by \$270bn over the next seven ver

But the AMA decision, announced after a Tuesday night session in Congressman Newt Gingrich's offices, represents a considerable tactical victory for the House Speaker.

The withdrawal of full AMA approval had been instrumental in the rejection of President Bill Clinton's comprehensive

healthcare plan last year. The ways and means committee was last night moving towards approving a Medicare bill, with a full vote in the House likely next week. After frequently acerbic partisan exchanges, the Republican majority has consistently voted between the House and Senate.

The equally heated war of words between Republican leaders and the White House over the whole budget package, including \$245bn of tax cuts, escalated yesterday. Mr Mike McCurry, the president's press spokesman, accused the Republicans of breaking off informal negotiations over the

He was responding to charges from the Speaker and Senator Bob Dole, the majority leader. Mr Gingrich, saying the White House "doesn't get it", repeated he was serious about challenging the president to accept the Republican legislation by the middle of next month or exercise his veto and accept the consequences of the government shutting down and defaulting on its debt pay-

Mr Dole thought the Senate finance committee, which met informally vesterday, would come up with the promised \$245bn in tax cuts which Mr Clinton says are being financed by the savings on Medicare and Medicaid, the health programme for the poor. The committee, however, is

considering variations on the basic package Republican tensions are such that Mr Gingrich and Mr Dole have agreed that senior party leaders in Congress should now meet daily on the budget to ensure, according the Speak-er's spokesman, "no daylight"

he crippling of Colombia's Cali drug cartel - held responsible by the US for a majority of the

world's cocaine trade - has led to a dramatic shift in drug trafficking patterns. The change follows the cap-

ture by the Colombian government this year of six out of seven top leaders of the Cali drugs cartel and the destruction of many of their business operations. While it is still too soon to

declare the changes in trafficking patterns permanent, the severe blow to the cartel appears to have starved the cocaine production industry of

As a result, there has been a

collapse in the price of cocaine

and its base products - coca leaf and coca paste - in the Andean countries where production is concentrated, Peru, Colombia and Bolivia. Coca leaf prices in principal growing areas such as Peru's Huallaga and Apurimac

valleys have plunged to unprecedented lows in the past six months. An arroba (11.5kg) which fetched \$70 at the start of the year now goes for \$4 that is, if the grower can find a buyer. Meanwhile, US administra-

tion officials say street cocaine prices in some US cities have increased in recent months. Though this would be consistent with smaller quantities of the drug reaching the US market, they accept the evidence is far from conclusive. Mr Lee Brown, the US drugs tsar, said last week the virtual

dismantling of the Cali cartel had reduced Andean drugs flights by almost two-thirds in the first half of 1995. Mr Brown said illegal air traffic had moved into the vast

Cali cartel busted: Rodriguez Orejuela (top left) and 'Scorpion' Loaiza, two of seven leaders arrested

and largely uncontrolled airspace of western Brazil. Peruvian traffickers, meanwhile, were also opening up new shipping routes to export cocaine through Pacific seaports or via the Amazon and Orinoco rivers to the Atlantic.

Gen José Rosso Serrano, Colombia's chief of police, said that fewer big airlifts of cocaine had been leaving Colombia. Instead, less well financed traffickers are attempting to smuggle cocaine out of the country in smaller lots using "mules". These are individuals carrying small

drug packages in or about their bodies over Colombia's land borders or on aircraft. On a single recent flight to Martinique in the Caribbean, for example, officials found 27 mules carrying a total of 190kg of cocaine.

Another dramatic indication of changing smuggling patterns is the mid-September capture of a Bolivian aircraft. piloted by a Bolivian air force officer, and its cargo of over four tonnes of cocaine, at Lima's international airport.

The aircraft, en route for Mexico, confirmed what had

been widely suspected: that traditional coca-leaf producers in Bolivia have moved heavily

downstream into processing.

and new transport routes are

opening up to skirt Colombia. The size of the Bolivian cocaine shipment seized in Lima shocked even the experts, it being widely believed that Bolivia was still primarily a producer of leaf and basic paste. But it shows farmers and middlemen alike in the country are attempting to compensate for dwindling income by processing the refined product and thereby

adding value. Recent arrests associated with the haul have also implicated a variety of Bolivian civil servants, military, police and public institutions in the illegal drugs trade. In July, the US Navy seized

its largest ever illegal drugs haul, aboard a Panamanian fishing boat 780 miles west of Peru. On board were more than 12 tonnes of cocaine in 475 sacks hidden in waste oil tanks, with a street value estimated by the US authorities at more than \$143m.

Mr Gabriel de Vega, director of Colombia's National Narcotics Office, says if his government continues its campaign against the drugs business, on which it now spends more than \$1bn a year. "we can displace a large part of the drugs phe-nomenon in two to three

This would suggest the emergence of other drug production and trafficking centres to compete with Colombia. Brazil. with its large landmass, chaotic government, corrupt law enforcement and large poten-tial domestic market – is often cited by Colombian officials as being ripe for exploitation by drug traffickers. In the meantime, the importance of the Mexican trafficking cartels is also predicted to increase.

There have been other apparent effects of the crippling of the Cali cartel - ironically by a government whose president, Mr Ernesto Samper, is accused of using the cartel's money in

his 1994 election campaign. Gen Rosso Serrano says there has been a sharp drop in Colombian cultivation of poppies - the base product for heroin and opium. He cites US Defence Department figures

Stephen Fidler and Sally Bowen on how the crippling of the Cali cartel has led to new trafficking patterns against 20,000 hectares two years ago, suggesting Cali finance also as an important

factor in heroin production. The dismantling of the Cali cartel has not been welcomed everywhere. The fall in coca prices has had a devastating impact on the impoverished farmers of Peru and Bolivia whose livelihoods depend on

coca cultivation. In the Huallaga valley, traditional heartland of Peru's drugs trade, fears centre on a possible resurgence of the Sendero Luminoso guerrilla group. Disaffected coca growers, with no economic alternatives, could once again be thrown into the arms of the weakened but still threatening guerrillas.

Ocear of Bro

The Bolivian government, meanwhile, finds itself uncomfortably squeezed between US demands for deep reductions in the area under coca cultivation, and ever-militant growers who are moving swiftly into virgin lands to plant afresh.

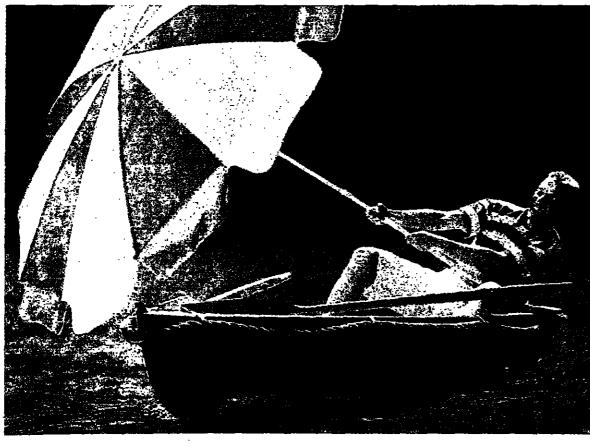
Both the Peruvian and Bolivian governments often criticise inadequate international support in combating drug traf-ficking at local level. Traditionally, the bulk of US assistance has financed interdiction and

crop eradication.
That bias may, however, be changing. The US Agency for International Development recently announced a package worth \$44m over five years to help Peruvian coca growers find. alternative sources of

Mr Merritt Broady, head of USAID's alternative development programmes in Peru, says the price slump could prove a "window of opportunity", encouraging coca growers to move into legitimate

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# Russian group visits Cuba to restore links

By Pascai Fletcher in Havana

Russia and Cuba, whose relations waned after the break-up of the Soviet Union, are now seeking to restore some of the long-term commer-

shared during the cold war era. The biggest Russian government delegation to visit Cuba since the birth of the Russian Federation four years ago flew into Havana on Tuesday for a week of talks aimed at revitalising bilateral ties, including relations between the armed

The 40-member official delegation was headed by Mr Oleg Soskovets, Russia's first deputy prime minister. He was accompanied by senior government officials responsible for foreign trade, nuclear energy, oil industry, agricul-ture and food processing. About 30 Russian businessmen, including bankers and sugar traders, were also on the

Russia's Interfax news agency said the talks would end with the signing of a bilateral trade and payments protocol for 1996-98, which would cover reciprocal Cuban sugar and Russian oil deliveries for this period. Cuban state media said Rus-

sian co-operation in Cuba's nickel industry would also be discussed\_

The two sides were also expected to review military co-operation and the Russian delegation was scheduled to visit a Russian-operated electronic intelligence and communications facility at Lourdes.

The Lourdes centre is a legacy of the cold war that Russia has chosen to maintain, much the annoyance of to the US government, which has been pressing Moscow to limit Cuba.

Cuba's large stock of Soviet military hardware and its previously Soviet-supplied industry, agriculture and transport sectors are all desperately in need of spare parts, and the possibility of new supplies from Russia was expected to figure highly in the talks.

Cuba supplied raw sugar, nickel and citrus to the former Soviet Union, receiving oil, arms, spares and food in return, before the disintegration of the Soviet state disrupted the arms flow and the preferential economic relationship and plunged the island into recession. However, the two sides have maintained annual sugar-for-oil trade

The Russian delegation was also expected to tour the unfinished Soviet-designed nuclear power plant at Juragua, near Cienfuegos, whose construction was halted in 1992, Russia is willing to help finish the plant, but Cuba wants western companies to contribute technology and also needs financing to cover the estimated

\$300m of completing it. The two countries have failed to agree on how to evaluate Cuba's outstanding debt to Russia, estimated by the Russian side to total more than

# EU slams US efforts to tighten embargo

The European Union yesterday denounced efforts in the US Congress to punish countries that do business with the government of President Fidel Castro and proposed boosting EU-Cuban economic ties instead, AP reports from Brus-

The EU said in a statement that it viewed pending congressional legislation to tighten the American embargo against Cuba "In a negative light" and charged that, if passed, it would violate inter-

national trade rules. "The European Union would like Cuba to have a peaceful transition to democracy and respect for human rights," said the statement, which was issued by the Spanish government, holder of the BU's rota-

ting presidency. Legislation passed by the House of Representatives on September 21 would tighten the 33-year-old US embargo against Cuba and withhold aid from nations that trade with the island.

It would also deny entry into the US to anyone who traffics in US property confiscated by Cuban authorities.

The EU said the measures aimed at influencing the trade policies of other nations violated international agreements, including accords enforced by the Geneva-based World Trade Organisation.

The Clinton administration which has taken steps recently to ease tension with Cuba, has threatened to veto the bill. The EU issued its statement as it embarked on a new policy

of co-operation with the long-isolated Caribbean nation.

# Zedillo sees way out of Mexican emigration trap

Mexicans will be given a chance to follow the path of education and employment rather than the path to the US border, Mexico's President Ernesto Zedillo promised yes-terday, AP reports from Wash-

Mr Zedillo told the US Chamber of Commerce that building up Mexico's economy was the best way to end illegal immigration. He also predicted a new era of justice and respect for the law in Mexico" and declared that both the US and Mexico were benefiting from the North American Free Trade Agreement.
"We must and we will give

Mexicans a genuine possibility to improve their lives by following the paths of education and employment, not paths north toward the border," he said, addressing an issue of great concern to Americans and very sensitive in Mexico. In a rebuke aimed at discriminatory practices against immigrants in the US, Mr Zedillo said basic human rights of people must be respected on both sides of the border whether they are citizens, residents or immigrants."

On his first state visit to the US, Mr Zedillo met President Bill Clinton on Tuesday and was fêted at a White House state dinner

He said Mexico was buying nearly four times more US products than a decade ago, with a big increase since Nafta took effect on January 1 1994. "Nafta works. The free market works – and the proof of that has been forged in the

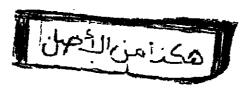
fierce fires of a serious eco-nomic crisis," Mr Zedillo said, "Jobs, income and profits stay

in North America. Both the US and Mexico win." Hurricane Roxanne bit

Mexico's Caribbean resort island of Cozumel with 110mph winds yesterday then gradually lost strength as it plowed into the tropical lowlands of the Yucatan Peninsula, AP reports from Cancun.

But forecasters warned that the storm was expected to regain some of its punch later when it emerged on the west side of the peninsula and moved over the warm waters of the Gulf of Mexico.

"All interests in the southern and western Gulf of Mexico should monitor the progress of this hurricane," said the US National Hurricane Centre in Miami. A hurricane warning was issued yesterday for a large stretch of the Mexican



#### **NEWS:** UK

# \*Optimism over movement on Irish weapons

By John Kampfner in Blackpool and John Murray Brown in Dublin

An international commission on paramilitary weapons in Northern ireland could be in place before the visit of President Bill Clinton at the end of next month.

UK officials are increasingly confident that behind-the-scenes discussions involving the Clinton administration, the London and Dublin governments and Sinn Fein are steadily overcoming the difficulties that led to the postponement of an Anglo-Irish summit a month ago. They were particularly encouraged

by a statement on Monday from Mr "a new and important commitment" Gerry Adams, president of Sinn Fem, the IRA's political wing, in which he said his party would not use threats to try to get its way in all-party nego-

tiations. Although British ministers publicly said those remarks did not go far enough, officials acknowledge that he is close to meeting two of the three requirements for talks - acknowledgement of the principle of decommissioning IRA arms and of the technical requirements.

Mr John Bruton, the Irish prime minister, told his parliament yesterday Mr Adams' comments represented to the peace process.

In his speech to the Conservative conference today, Sir Patrick Mayhew, Northern Ireland secretary, will reaffirm the three "Washington principles" including the government's insistence on a formal handover of weaponry ahead of all-party talks. Sinn Féin has consistently denounced these conditions. But Sir Patrick will be keen not to give any indication of slippage to a Tory audience extremely wary of any concessions.

The sub-text, however, is considerably more subtle. In a flurry of meetcautious progress. Much of the impetus has come from the US government which is determined to ensure that a new level of political dialogue is in the wings at the time of Mr Clinton's visits to London, Belfast and Dublin.

"Things are happening, and fast," one official said. But such are the sensitivities we are all treading extremely carefully." Leaders of Northern Ireland's main political parties, including the Ulster Unionists, have been in regular telephone contact with the US administration since a visit to Belfast two weeks ago by Ms Nancy Soderberg, Mr Clinton's special ings in recent weeks officials report adviser on Northern Ireland.

The Americans are impressing on Mr Adams the need to agree to the establishment of the decommissioning group before the Clinton visit, linked to the announcement of a date for higher-grade political talks.

These, in effect, are already taking place. Earlier this week, Mr Michael Ancram, Northern Ireland's political development minister, met Mr Martin McGuinness, Sinn Fein's chief negotiator. Much will depend on Mr David Trimble, the Ulster Unionist leader, who is due in Washington at the end of the month for high-level talks for talks demonstrating a new-found flexibility on the part of unionists.

#### **UK NEWS DIGEST**

# Ocean disposal of Brent Spar still an option

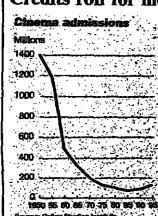
Deep sea disposal or reuse of the Brent Spar oil installation remain among the options open to Shell, its owner. The oil company yesterday launched a public consultation to find an acceptable way of disposing of the controversial North Sea oil storage buoy. Brent Spar has been moored in a Norwegian fiord since Shell aborted attempts to sink it in the North Atlantic in June.

Mr Heinz Rothermund, the managing director of Shell UK Exploration and Production, yesterday refused to rule out any options, saying it would be wrong to speculate about the most likely disposal means ahead of the consultation. We want an honest dialogue", he said, stressing that Shell would listen to all genuinely interested parties.

It has already had contacts with Greenpeace, the environ-mental group which led last summer's successful campaign to halt the sinking. The consultation will begin with an announcement in the EU's official journal soliciting proposals. Mr Rothermund said the choice would be made on the basis of the best practicable environmental option (BPEO) which would balance considerations of environment, public opinion and economics.

Since the public storm over the storage buoy, Shell has received 216 unsolicited proposals for its disposal. These range from offers of outright purchase to plans for using it as an offshore casino in the English Channel. David Lascelles

#### Credits roll for movies



The overall market for feature films in the UK has grown fivefold in real terms between 1982 and 1993 according to the latest Cultural Trends 1994 from the Policy Studies Institute. The balance of the market between the various film media has changed dramatically and video represents the most common form of consumption of films even though consumer expenditure at the consumer expenditure at the cinema box office rose year-onyear from 1984 to 1993. Video sales account for 35 per cent of 1950 55 60 66 70 75 30 95 90 95 the market followed by video rental at 29 per cent. Movie subscription channels on estel-

lite and cable took 19 per cent with the cinema box office representing only 17 per cent of consumer spending on film. In 1993, the last full year for which figures are available, UK expenditure on film consumption totalled £1.8bn. In 1993 the average budget of a British film was £3.2m. In 1983 - at 1993 prices - the figure was £8.4m. Raymond Snoddy

#### Deficit forecasts raised

Economists' forecasts for the size of the UK current account deficit have been sharply raised in recent weeks, with the 1995 deficit now expected to be twice as large as last year.

A comparison of independent City and non-City forecasts, compiled by the Treasury, yesterday showed that economists revised their projections for the current account deficit up by almost £3bn (\$4.74bn) last month.

The revisions cast fresh doubt on the strength of the UK trade position, as the country comes near the end of the third year of economic recovery. For although rising exports and flat levels of imports have fuelled hopes that the UK could be returning to a current account surplus soon, the picture has deteriorated significantly in recent months.

Forecasters predict, on average, the UK will have a current account deficit of about £4.3bn this year, falling to £3.7bn next year. This 1995 level is sharply higher than the £1.6bn that was the average deficit forecast in September.

#### Engineering salaries show rise

Salaries of professional engineers and technicians in the UK have risen substantially in real terms over the past three years, according to a survey published yesterday by the Engineering Council. Chartered engineers' average pay has risen 12.2 per cent since 1992, to £35,654, compared with an 8 per cent rise for the retail price index. Real incomes have also increased, although less sharply, for incorporated engineers and engineering technicians.

Andrew Baxter

#### Scottish footballer jailed

Scotland and Everton striker Duncan Ferguson last night became the first British international player to be jailed for assaulting a fellow professional on the field of play, when he began a three month jail term after losing an appeal.

Three judges in Edinburgh ruled his three-month sentence for head-butting John McStay was not excessive. The sentence was imposed in Glasgow in May after the clash in April last year with McStay during a game between Ferguson's then club Rangers and Raith Rovers.

# Disputes code for construction

### By Andrew Taylor, Construction Correspondent

A code of conduct aimed at reducing conflict and unfair practices which cost the construction industry and its customers hundreds of millions of pounds a year will be adopted today by some of Britain's larg-est public and private sector organisations. Most of the biggest UK contractors have agreed to abide by the new code which seeks to improve contractual relationships between customers, construction groups, specialist sub-contractors and suppliers.

The code aims to minimise

caused by design changes introduced after work has started and to shorten payment periods to ease cash flow pressures on sub-contractors. Customers which have signed the Commitment to Fair Construction Contracts include the Highways Agency, Railtrack, PowerGen, London Underground, Thames Water, BAA, Marks & Spencer, Glaxo Wellcome, Mobil Oil, McDonald's

Construction groups which have agreed to abide by it include Wimpey, Tarmac, Balfour Beatty, John Laing, Taylor Woodrow, Amec, Alfred McAlpine, John Mowlem and cost increases and disruptions the Miller Group.

launched by the Construction Round Table, composed of leading construction customers which expect to spend £3bn a year on projects over the next five years. It calls for easy-tounderstand contracts which would clearly define the duties of all involved in a project and establish procedures to allow independent resolution of disputes avoiding costly litiga-

The recommendations are in line with proposals made last year in a review of construction practices by Sir Michael Latham, the former Conservative MP and ex-director of the

industry and government, recommended improvements in contracts and disputes procedures to reduce construction costs by 30 per cent by 2000.

There has been concern that the Latham proposals, which call for legislation, may have become bogged down by industry infighting.
The new initiative comes as

a study by Dal-Sterling, the international dispute resolution consultants, revealed that about a quarter of the 50 largest UK contractors earn between 10 and 15 per cent of annual turnover from contract claims against customers and

# Tories seek revival amid conference flag-waving

#### Political Editor

Michael Heseltine

yesterday hailed this week's Tory conference as a "turning point" in the party's fortunes akin to the second world war battle of Alamein, only hours before the leadership suffered the unusual embarrassment of losing a conference vote. With a characteristic mix-

ture of Labour party bashing and Tory flagwaving, the deputy prime minister won the biggest ovation of the week for a speech on the opposition's threat to the UK as the "enterprise capital of Europe". Mr Heseltine hopes this will emerge as the Tory party's

main general election cam-

decided against aping Labour and will not levy a windfall tax on the utility companies in November's budget. But Mr Kenneth Clarke, the chancellor, is expected to reiterate today that the substantial tax cuts he wants to make will only come if public expenditure is reined in.

Other announcements over the next couple of days are likely to focus on the traditional Tory theme of law and order. A tougher sentencing policy and the extension of the mandate of the domestic secu-rity service, MI5, to include cooperating with the police in attacking organised crime are both expected to be unveiled.

Although the government has designed a series of popu-

leadership, when it backed a proposal for the abolition of the cap on the council tax. The Treasury has recently blocked proposals for the cailing to be lifted, because of the implications for public spending. Activists want the cap abol-

ished, because they hope such a move would encourage Labour controlled councils to spend recklessly, undermining the opposition's attempt to portray itself as committed to tough economic management.

Tory conferences are normally so effectively managed that votes almost never go against the leadership. The conference has little effect on government policy, but it is an embarrassment in the wake of last week's Labour conference. when its leadership lost no

# **BR** freight subsidiary set to go on sale for third time

#### By Charles Batchelor and Kevin Brown

Freightliner, British Rail's heavily lossmaking freight subsidiary, is to be offered for sale for a third time in December with the promise of a fiveyear subsidy to make it more

attractive to buyers.

The package will include a five-year track access agreement with Railtrack, which means that bidders will know the extent of their largest single outgoing, the cost of rent-ing "slots" on the railway net-

The government, meanwhile, confirmed yesterday that Railtrack is to be sold by means of a stock market flotation next spring. Sir George Young, transport secretary. told the Conservative party conference in Blackpool that at least 51 per cent of the com-pany would be offered to investors. City analysts expect it to be valued at about £2bn (\$3.2bn).

The suggestion that 49 per cent of Railtrack might remain in public hands surprised Labour, which would be able to honour Mr Tony Blair's promise to restore a publicly owned railway by repurchasing just over 1 per cent of the total shares. But Sir George said ministers had not ruled out selling 100 per cent.

Bidders for Freightliner will have until the beginning of February to put in offers for the company, which moves containers between ports and inland rail terminals. It made a loss of £38m on turnover of £78m in 1993-94.

Freightliner was to have been the first significant part of BR's freight operations to be sold off but it failed to attract acceptable bids. In January, it was taken off the market to allow its present man-agement to restructure the business and reduce losses

But it was unclear whether the subsidy, in the form of a track access grant, would be sufficient to attract acceptable

The government has allocated only £14m a year to pay track access grants. Last year it paid out only £2m in grants.

#### paign theme, underpinning a list policies aimed at their traraft of policy proposals. One unlikely to be announced this delegates yesterday took the living memory commissioner warns

against 'Euro-bashing'

#### By Lionel Barber in Brussels

Sir Leon Brittan, EU trade commissioner, will today warn Britain's Conservative party that it will lose the next general election if it insists on fighting on a neo-nationalist, anti-European platform.

In a bid to stem the tide of anti-Brussels sentiment at the conservative party conference, Sir Leon will argue that Britain will surrender all influence in Europe if "Euro-bashing" turns into a national

His speech in Blackpool is a riposte to Mr Michael Portillo, the UK defence secretary, who raised the bogey of a pan-European army marching with "harmonised cap badges", lim-its on the fighting week, and

half the soldiers on home and paternity leave. An aide said Sir Leon was "appalled" by Mr Portillo's conference speech on Tuesday, and the rapturous reaction from Tory delegates. The European Commission, usually at pains to stay out of national political debates, also responded in unusually strong

The European Commission said Mr Jacques Santer, Commission president, considered Mr Portillo's speech "gro-

Mr Geoffrey Martin, head of the European Commission's UK office, is hardly a household name in Britain. But he vesterday became the man who wrote off the conservative government's policy on

Mr Martin's appeal to oppo sition parties to take the fight to the Tories and "stand up for the European ideal" caused heart-burn inside the Commission, where the rule is to avoid taking sides in domestic poli-tics at all costs.

Sir Leon Brittan is expected to rap Mr Martin's knuckles

tesque" and a wilful distortion of the facts. "It's tilting at windmills," said a spokesman. Mr Santer was said to be dis-appointed by the mood in Blackpool. In his first eight months in office, he has tried to build bridges with moderates in Britain, and end the mutual suspicion and hostility often generated by his predecessor Mr Jacques Delors. Sir Leon, who served in the British cabinet as home secretary and trade secretary in the 1980s before becoming an EU commissioner in 1989, is

equally uneasy about the stam-

pede to the anti-European right

for his gaffe during a radio yesterday that he had received messages of support, and regretted his "Freudian slip".

It was not my intention to criticise the Conservative government. In my inarticulate way, I was criticising the Conservative conference." he said. Mr Martin said he enjoys his job, and insisted that he remains apolitical with no party affiliation. It was, of course, pure coincidence that his next appointment was with Mr Robin Cook, Labour's shadow foreign secretary. He is expected to argue

strongly that Britain is winning rather than losing the debate over the future of inte-gration in Europe. As a result of British-led pressure, Brussels is legislating less, and EU social policy is shifting toward more toward deregulation, get-ting people back to work, and encouraging private business. Sir Leon is also expected to offer a mild rebuke to Mr Malcolm Rifkind, Britain's new foreign secretary, who recently tilted toward the Euro-sceptics by arguing that the pursuit of British interests in Europe was more important than seeking

# among his one-time colleagues. Medical research institute set for London base

An ambitious new type of medical research institute, designed to bring an industrial discipline to academic drug discovery, is to be set up at University College London.

The Institute for Strategic Medical Research could evenmally grow to be the biggest medicines research group outside the drugs industry. It will eventually house up to

300 scientists in the Victorian "Cruciform Building" on Gower Street, vacated two years ago by University College Hospital.

The Cruciform Project has already attracted grants of £14.5m (\$22.9m) from the government's Higher Education Funding Council and £11.5m

Daniel Green and Clive Cookson on a shift in drug discovery work from the charitable Wellcome come Research Laboratories in

Beckenham, Kent, closed as a Trust to refurbish and equip the red brick building. result of the merger. And Glaxo Wellcome, the UK The establishment of the drugs company, will contribute

£10m to support one specific

Professor Salvador Moncada,

who was research director of

Wellcome until the company's

take over by Glazo this spring.

is directing the project.
His decision to leave Glaxo

Wellcome deprives the com-

pany - the world's biggest

drugs group - of one of its most respected scientists. He

will take with him several for-

mer colleagues from the Well-

research project.

institute limits the damage done by Beckenham's closure to south-east England's status as perhaps the greatest concentration of medicines research in the world. The institute will also absorb research teams from St George's Hospital and King's College medical schools. About 40 scientists will begin work early next year in temporary laboratories in the nearby Rayne Institute while the Cruciform building is being reno-

Prof Moncada says the idea istry and clinical research, as is to carry out drug discovery in a university environment, insulated from the pressure to produce short-term results that is increasingly characteristic of pharmaceutical companies while maintaining industry's

"goal-oriented" approach. He said that this plan, though conceived more than a year ago, fitted with the government's "Technology Foresight" scheme to influence academic research towards goals identified as potentially fruit-

well as cell and molecular biology, just like a drug company. In the future, the industry will do less and less basic research itself and depend more on outside units like ours to discover new drugs," says Prof Moncada. "Companies will then concentrate on developing very quickly the drugs they take in."

The institute will focus first on discovering new drugs for cardiovascular disease - and particularly on preventing fatty deposits building up in The institute will have scienblood vessels - and for degentific teams in medicinal chemerative brain diseases such as

Alzheimer's. Prof Moncada's own project, funded by Glaxo Wellcome, concentrates on a small molecule called nitric oxide which has recently been found to play an important part in many diseases.

Sir Derek Roberts, provost of University College London, says the new institute "will firmly establish UCL as the leading centre of basic medical and clinical research in Europe." Two drug companies, Sandoz of Switzerland and Eisai of Japan, already fund

research centres there UCL is looking for another £12m to finish refurbishments and £40m to £50m more to expand research over the next seven years, Sir Derek says.

**Sydney** Flights to some destinations in Asia are few and far between. JAL flights to Tokyo and Osaka, however, neut. We make over 50 weekly departures from \* Liberpean cities.

Beings apan as a finit, flying to your onward liestination couldn't be easier. We with 20 cities in Asia and the Pacific direct from Japan (not to mention 22 cities in Japan). Heaven. Hist call your nearest JAL office. A BETTER APPROACH TO BUSINES

# Vitamin A link to birth defects

Pregnant women consuming high levels of vitamin A run a greater risk of having a child with birth defects, according to a study published this week in the New England Journal of Medicine.

The study, authored by Ken-

The study, authored by Kenneth Rothman of the Boston University Medical Centre, casts a shadow on pre-natal vitamin supplements, which have been commonly prescribed to pregnant women in recent years.

"Most of the problem with

"Most of the problem with high vitamin A intake came through vitamin supplements," said Rothman. The babies of women taking high levels of vitamin A had a greater chance of suffering defects of the neural tube, which forms the spinal cord and brain.

A link between high doses of vitamin A and birth defects has already been established. However, previous research had implicated only extremely high dosages – five or more times recommended daily allowances. The new study implicated relatively low amounts of vitamin A – just 200 per cent of daily recommended allowances.

ommended allowances. Vitamin A is found naturally in meat and dairy products, especially in liver, though rarely in concentrations large enough to cause problems. Rothman cautioned that one primary food source for vitamin A, however, is fortified cereals. "Certain cereals can contain dangerously high levels," says Rothman. As a result of the study, the Food & Drug Administration issued a warning to pregnant women to avoid cereals and vitamin supplements with vitamin A, and to limit intake of the vitamin to 100 per cent of recommended daily allowances.

The study did not implicate beta-carotene, a nutrient found in plants and vegetables. The FDA cautioned women not to eliminate vitamin A intake altogether, noting that too little could place the unborn child at as great a risk as too much.

Victoria Griffith

hat has Dow got that has attracted rival DuPont into a \$1bn (£600m) joint venture in which DuPont is providing nearly all the sales? The same thing that this week saw DSM of the Netherlands announce it was turning over an entire plant to an Exxon product on which it will get

only half the profits.

The answer is metallocene chemistry, an innovation that is expected to transform plastics. The technology makes plastics 500 times more efficiently, on existing machinery, in forms that have never been seen before. Already, the race has begun to get to the market.

The breakthrough has nothing to do with the raw materials used to make plastic; it is the structure of the catalyst that converts oil molecules to plastic that is causing the

With conventional plastic, a catalyst works by breaking bonds inside the oil molecules. These then link into long chains to form plastic. However, the catalysts used so far have been fairly primitive

for polyethylene, which is the world's most widely used plastic, they have changed only marginally since the 1950s, when something called the Ziegler-Natta catalyst was invented

was invented.

The problem with the conventional structure is that it produces uneven plastics. Tiny granules of mixed titanium and magnesium chloride (typical raw materials that are mixed with oil to make plastics) are always slightly different. Some will have more titanium at the surface. Elsewhere, the titanium will be buried.

A microscopic slice of such plastics would show long chains and short chains, spread randomly, or side chains branching off at irregular intervals. The metallocene technology, however, produces more regular structures, which means the plastics are more even, easier to process, adaptable and more flexihle.

The industry is promising great things from the metallocene catalysts, developed by Dow, Exxon and BP (and claimed by others). Dow, which last year won the US invention of the year award for some of its metallocene work, estimates the new technology will be earning it more than \$1bn a year within five years, and a further \$1bn in new sales in the joint venture with DuPont, in which Dow's metallocene technology is combined with DuPont's synthetic rubbers busi-

The secret lies in a molecular structure which fixes an unusual ring of five, rather than the usual six, carbon atoms next to a titanium atom. This structure puts the

Jenny Luesby reports on a plastics
breakthrough which chemicals
companies are rushing to get in on

# Catalysts to catch



Dow's Insite catalyst has a ring of five carbon atoms next to a titanium atom. Nitrogen and silicon atoms hold the molecular structure in place

molecule under stress as the carbon atoms try to adjust to their usual positions. The titanium then sparks off the reaction between oil molecules that produces long, even chains. The technology significantly

increases the processing and perfor-

the new polymers, according to Dow.
Exxon's catalysts are similar, although it

mance options of

favours a combination of two five-sided carbon rings rather than a single ring and a nitrogen atom. Other metallocenes incorporate zirconium instead

fixes an unusual her than the usual in both cases, the result is uniform particles of a highly active catalyst, although exactly how they

work is a mystery. "This is black art," says Malcolm Kaus of Exxon. "with scientists only speculating on how they work now they have invented them."

gy significantly sing and perfornomenal. They produce molecule chains of a much more uniform length and where

The technology will affect many sectors, including packaging, automotive, wire and cable, and foam more uniform length, and where a second type of chain is added, these branch off at regular intervals. This endows qualities in its

own right, but the new catalysts also allow new ingredients to be added, offering enormous versatility.

"For the first time, we can really control the molecules inside these plastics," says Julien Damen of Dow

Polyethylene, also known as polythene, can be made much stronger – meaning it can be processed more quickly – and transparent rather than just

opaque.

New ingredients can add longer side-chains to the main polyethylene chain, making it so much more flexible that it is as close to rubber as to plastic. And the plastic can be made rigid or clastic, with levels of elasticity comparable to natural rubber, according to Dow.

It can even be made to be runny. or sticky, replacing traditional adhesives. Some of the new plastics will also have lower melting points. For Dow these possibilities have set it racing to produce substitutes for other plastics. Typical is a new polyethylene-covered, foam-filled, baby-changing mat that looks the same as the old PVC version but

has no smell.

Other potential novelties include: artificial leather made from polyethylene; a swimmer's flipper where both the black rubber spade and the plastic shoe are made from different types of polyethylene, and thus bond perfectly; and cushioned polyethylene flooring that is tougher than the toughest PVC.

These markets will bring the quickest pay-backs, say Dow and Exxon, but both point to the potential for entirely new plastics—as different as polythene was from Bakelite. Dow believes the technology will affect many consumer and industrial sectors, including packaging, automotive, wire and cable, and foam.

It is the scale of these possibilities that is now prompting the flush of alliances. Exxon has entered a research alliance with Hoechst and Matsui, and it has announced a 50-50 joint venture with DSM to manufacture and market the new polymers. Dow has set up with DuPont, an expert in the rubber, adhesives and coatings that have not been Dow's traditional strengths.

Their aim is to lock up as many metallocene plastics, processes and catalysts as possible, under patent. Exxon has already filed over 100, and Dow more than 30. And they will all run until at least 2010.

Thus, while British Petroleum says it is getting close to commercialising its metallocene catalyst, BASF, the German chemicals groups, makes similar claims, and many others say they have produced metallocene plastics in their laboratories.

With Exxon. Dow and BP all intending to license their technologies, the outlook, say some observers. is a chemicals industry in which just three companies will control the technology and the rest will be licensed operators, perhaps before the century is out.

#### Worth Watching · Vanessa Houlder



Peptide raises

hopes for pain killer.
The discovery of a neuropeptide that heightens perception of pain has raised hopes for the development of a new type of powerful but non-addictive pain killer, according to a report in today's Nature.

The peptide of 17 amino acids was isolated by scientists at the Laboratoire de Pharmacologie et de Toxicologie Fondamentales in Tonlouse. They found it was able to bind to a receptor called ORL, which is similar to the receptor that binds to morphine.

that binds to morphine.

When the peptide was injected into rats it increased their perception of pain; when the expression of the ORL, receptor was blocked, pain was reduced. This raises the possibility that antagonists which block the receptor could prove powerful pain-relieving drugs.

pain-relieving drugs. Laboratoire de Pharmacologie et de Toxicologie Fondamentales: France, tel 61175981; fax 31175994.

#### Doppler used for sick babies monitor

The Doppler effect, by which the frequency of sound emitted from a moving object changes as it passes an observer, is being used in the development of a non-invasive ultrasonic sensor for monitoring the hearts of premature babies.

The sensor contains several concentric piezoelectric ceramic rings which emit and receive ultrasound waves up to 10,000 times per second. The sensors can monitor changes in ultrasonic frequencies as the red blood corpuscles pass the measuring point.

The Fraunhofer Institute for Biomedical Engineering believes the sensor, which can measure blood volume as well as speed, gives far more precise values than existing techniques.

Fraunhofer Institute for

Biomedical Engineering: Germany, tel 6894980205; fax 68 949 80400.

#### Simulation cuts car design lead times

An advanced computer simulation device that allows car makers to design manufacturing bools at an early stage of the process has been formulated by Ove Arup, UK design consultants, Cray Research, the supercomputer manufacturer, and Arthur Andersen.

Normally, the design of metal stamps for panels, which involves trial and error because the metal sheets may ripple or split when they come under pressure, takes place late in the design process. But car makers would like to carry out different steps of the design process simultaneously to cut lead times.

Ove Arup & Parmers: UK, tel (0)171 465 2255; fax (0)171 465 2312

# Construction contracts online

An online database of "calls to tender" covering public construction, supply and service contracts in the EC, US and Japan, has been launched by

Context, an electronic publisher.
Procurement information can
be selected by any criteria on the
database, on which every word is
indexed. It contains the contracts
published in the official Journal
of the European Communities and
from the European Economic.
Area and the World Trade

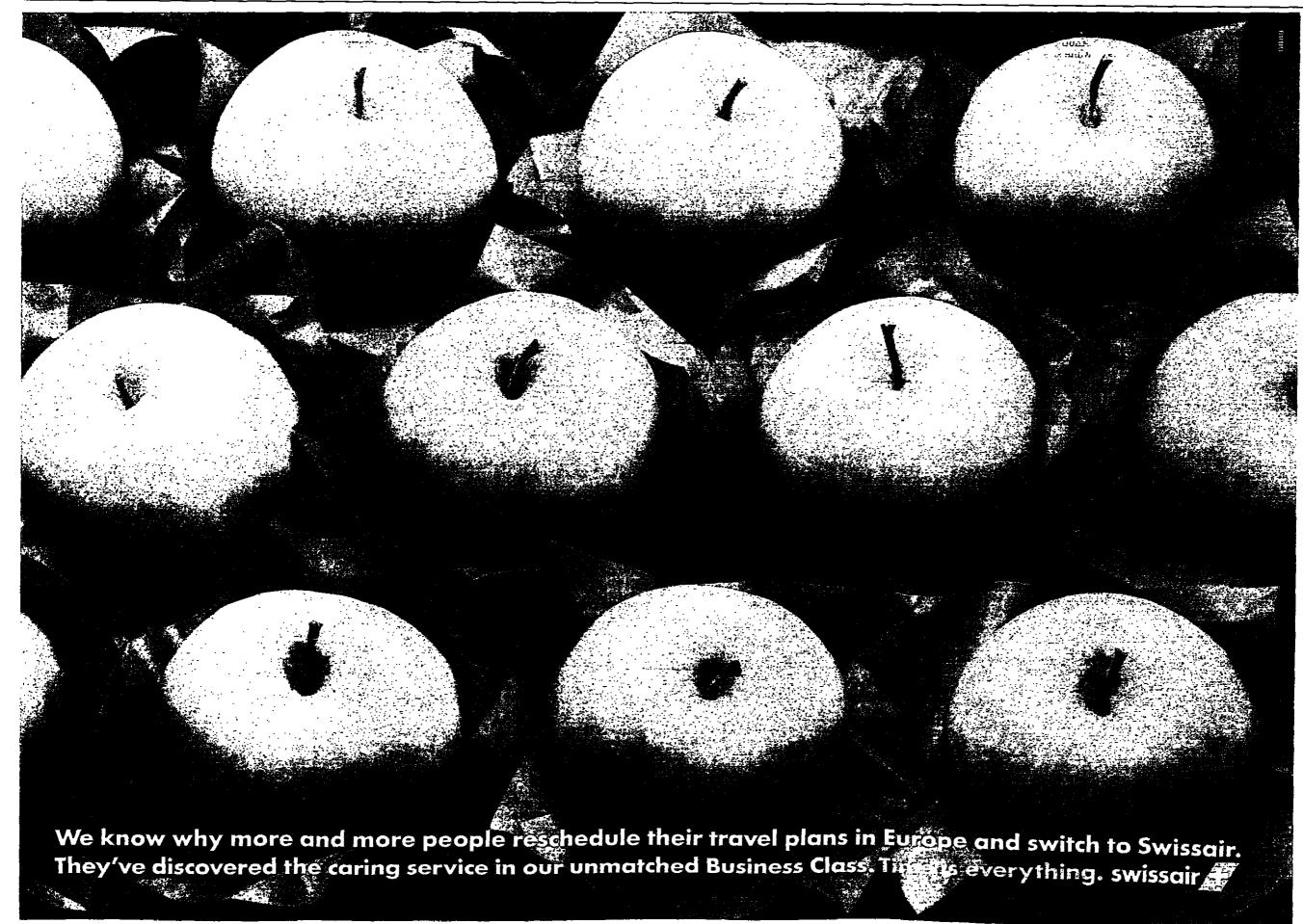
Organisation. *Context: UK, tel (0)171 2678989;* fax (0)171 2671133.

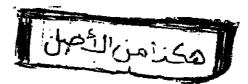
# Motorists<sup>3</sup> map on a portable computer

A satellite navigation system for portable computers that allows motorists to monitor their exact position will be launched this month. Softwair, a UK software company, has hased its "personal navigator" program on computerised Ordnance Survey maps in conjunction with a GPS satellite receiver, which can be incorporated into a PCMCIA card. The system, which costs about

£1,000, shows the user's exact location in relation to the departure point, destination and any other pre-assigned locations.

Softwair: UK, tel (0)171 4918021; fax (0)171 4997517.





stay on

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表表数数

1. July 12 (99)

Irwin Winkler NIGHTWATCH Ole Bornedal erence Davies's The

Neon Bible is like Proust gone to the Deep South, I kept expecting characters called Sheriff Charlus or Missy Albertine to wander across the screen. This weird movie was made by the gifted director of Distant Voices, Still Lives and The Long Day Closes from an American autobiography: the posthumously published juvenilium of John Kennedy Toole, who won a Pulitzer Prize for A Confederacy Of Dunces. The film could be taking

THE NEON BIBLE Terence Davies

THE WILD BUNCH Sam Peckinpah

SPECIES Ronald Donaldson

THE NET

place anywhere and nowhere. It was shot in Georgia but is set mainly in Davies's mind: a place you either love or hate. I love it, while lamenting its owner's apparent unawareness

here of what to do with it. The films set in his native Liver-pool were "poetic," but they were also circumstantial. We gasped at the free-range camera movements, the lyrical chiaroscuro, the characters who soliloquised or sung as well as conversing. Yet the surreal grew from the real from the shipping news on the radio, the harsh specifity of a parental quarrel, the exact film playing in the exact year at the exact neighbourhood cinema.

In The Neon Bible we are in Wacky County, USA. Everything is sad, stricken and litur-gically beautiful; nothing is real. Little is even explained. Mom (Diana Scarwid) is a troubled soul who weeps, gives deranged stares and sings a version of "Too-ra-loo-ra-lay that is nearly paraplegic with grief. Pop (Dennis Leary) is a farmer who has a couple of lines about potatoes before leaving to die in the war. And the boy hero (Jacob Tierney) grows up before our eyes - literally, since his body elongates as he stands on a starlit porch, courtesy of a dazzling "morphing" shot - without ever seeming -more -than-a-generic -- In a night-time death scene, mouthpiece for childhood

elegy. "Then, there is Aunt Mae (Gena Rowlands). This glamorous, semi-retired chanteuse becomes the boy's unofficial too busy acting out her private five-act tragedy. Mae sports a Stripes as a school classroom quarter century on, the once says "Let's go" - to his team of day Sandra Bullock is a com-red dress and husky voice and parrots the oath of allegiance - infamous shootouts - slow hoodlums ready to reach for puter whiz hired to search and knocks neonle dead with her



Surrealism launched from a quicksand base: Jacob Tierney, Gena Rowlands and Diana Scarwid in Terence Davies' "The Neon Bible"

Cinema/Nigel Andrews

# Second-hand fantasies

been going on?". She seems the answer to a gay fantasist's foster-mother dreams.

Unfortunately she seems little else. Like almost everything in the movie she is a thing of signs and gestures, indicating a deracinated director who has encountered too many books or films in the Southern Preciosity mould --

Beneath the debris. The Neon Bible still leaves us convinced that Davies is some kind of genius. At best the entranced stylisations of his camerawork set out to isolate emotion as something discrete, almost ectoplasmic. It hangs in the air outside the characters even as they rummage for the inferior coinage of word or gesture.

pine trees lap and claw at a window, as if bodying the unspoken grief and horror inside. Another passage where a white sheet waving on a washing-line, to the inspiring strains of Gone With The Wind, turns into the Stars and times, go ten times more. A and character. When Holden parrots the oath of allegiance - infamous shootouts - slow hoodlums ready to reach for is a perfect visual haiku motion, exploding blood pellets their belated haloes - the

regimentation of feeling. What this imagination surely needs is a solid and believable launch-pad, preferably in home territory, from which to soar into its variations and improvisations. In The Neon Bible we feel that Spaceship Davies is trying to take off from a patch

of quicksand, and someone

else's quicksand at that.

am Peckinpah's The Wild Bunch, the last great western, is back in a restored "director's cut" even though the director died ten years ago. Explanation? Surviving colleagues coaxed back the missing ten minutes: including one battle scene and one vital flashback amplifying the relationship between the movie's adversarial anti-heroes, outlaw William Holden and bounty hunter Robert

if you have never seen it, go. If you have seen it once, go

Dance Umbrella/Clement Crisp

Christoph von Dohnányi conducts

● The London Philharmonic: with

London Philharmonic Choir. Roger

Gluck, Weber, Berlioz and Spontini;

The London Philharmonic: Roger

Norrington conducts an all-Beriloz

Photographers Gallery Tel: (0171)

Appeal to this Age: photographs

Gordon Parks and James Karales; to

Royal Opera House Tel: (0171) 304

Haitink/David Syrus and directed by

Felicity Lott/Cheryl Studer, Andrea

Rost/Barbara Bonney and Robin

Simone Young and directed by

Jeremy Sutcliffe. Soloists include

Galina Gorchakova, Johan Bohta

and Francis Egerton; 7.30pm; Oct

■ LOS ANGELES

Museum of Contemporary Art Tel:

1965-1975, Reconsidering the

Object of Art: exploration into the

development of contemporary art

between 1965-75 and how the

Leggate/Ryland Davies; 7pm; Oct

Tosca: by Puccini. Conducted by

programme; 7,30pm; Oct 18 GALLERIES

of the American Civil Rights

Movement by artists such as

● The Marriage of Figaro: by

Mozart. Conducted by Bernard

Patrick Young, Soloists include

Norrington conducts Beethoven,

soprano Rosalind Plowright and the

Richard Rodney Bennett and Mahler;

with a story bare of everything but the contours of tragedy. In widescreen landscapes bristling with heat and despair, a gang of violent bank robbers down Texas-Mexico way find a last, bloody way to redeem themselves.

As in Straw Dogs or The Getaway, Peckinpah's morality is as comfortable as a steel trap. Yet by the close we are all caught in the teeth of this story about loyalty, greed, hope, choice, salvation; set in an early-century west where as surely as the horse yields to the train and motor car, the savagery of outlaw ethics is giving way to the perfidious highways of corporate moral-

The images are like fragments of dream or nightmare. Ants and scorpions; faces bitten by wind and sun; Mexican villages dappled by trees and death. At the same time the dialogue has a simplicity rendition of How long has this about the ritualisation and - have mellowed into near words sound like the first, a computer whiz hired to etc.

orthodoxy. And we are left muted thunderclap of Judgment Day.

> Elsewhere this week silliness reigns. The danger involved in combining human and Hollywood DNA is demonstrated in Species. Things fall apart, the centre cannot hold, and Ben Kingsley is loosed upon the world with an American accent

Drawling as if to save his life, he runs the Utah laboratory from which the drop-dead blonde with the designer genes buman-extraterrestrial) apes. At will she turns into a sticky Alien-style monster to wreak carnage. Can Kingsley's rapid action force catch and kill her? They include ex-Marine Michael Madsen, psychic Forest Whitaker and English anthropologist Alfred Molina, who looks very depressed, like Tony Hancock after wandering into the wrong sketch.

This is rubbish with moments; but not very many. another damsel on the run. By puter whiz hired to search and destroy viruses. By night she is The poor girl does not get out much, despite being the most attractive brunette on her block. So she is the perfect target for having her identity erased by government-connected villains after she stum-bles on a Deady Internet Secret. Director Irwin Winkler (Guilty By Suspicion) and three screenwriters chase her all over Mexico and Santa Monica, forcing her into cliché thriller locations: fairground with Ferris Wheel, street parade, bustling hotel convention. The inanities pile up. By the close most sensible filmgoers will have logged off, leaving a message on their outgoing e-mail:

Nightwatch is no less silly but more scary. If you have never volunteered for the night shift at a hospital morgue, here is your vicarious chance. Young Martin (Nikolaj Waldau) meets ghoulies, ghosties and things that rear up from sheeted slabs. He has a prankpsychopath at large too? The film is in Dutch with subtitles, though you may not catch

"Out to lunch".

them all through your halfclosed fingers. capable of huge fortissimos and finely balanced diminuendos. The image is of intense energy, absolutely controlled. and Paradigm shows him on what I suppose is a spiritual journey, torn and driven by a

sound-track made by Titch English (more blatant than Maliphant's movement). The continuing fascination of the piece is the range of Maliphant's dynamics - surging into a movement and releasing himself from it with dazzling resource, and taking us with him on this intriguing voyage of self-discovery and self-realisation. The language is rich, resonant, vivid. Worth

#### Music in London

# Berlioz's Romeo

ith his "period" Orchestre Révolutionnaire Romantique, his Monteverdi Choir and three first-class soloists, John Eliot Gardiner mounted Berlioz's "dramatic symphony" *Roméo* et Juliette on Sunday. The unusual venue was the Drury Lane Theatre, between performances of Miss Saigon. Gardiner thought it apter for fulfilling Berlioz's original performance-terms than the main London concert halls.

It was a faithfully imagina-

tive performance, and it stuck close to the composer's prescriptions. Six harps - siz! -were duly wheeled along the footlights and wheeled off again (though they were barely audible), and we got the requi site proliferation of cellos. The one thing lacking was a proper "shell" around and behind the onstage orchestra, which Ber-lioz rightly deemed essential for projecting their sound into a large opera-house. That left the orchestra sounding distant and cool in the great "Scene d'Amour", one of his most completely realised, intimately affecting inspirations. It is the heart of the matter, and we rather missed it.

Otherwise everything worked. The elegant premonitory Prologues (the second in Oliver Knussen's orchestration); the haunted distances of the "Romeo seul" movement, the wistful, winding cortege for Juliette; the explosion of high, hectic strings for Romeo's last moments - Berlioz was guided by Garrick's version of the play, which lets the "lifeless" heroine wake just before her

lover expires; and the final rec-onciliation of the warring families which is suddenly grand, old-fashioned opera-with-a-

big-"0". There Gilles Cachemaille gave us a more subtly detailed Friar Laurence than I have seen or heard in this music, and yet wielded the broad vocal authority to command the proceedings. The choruses played up to him perfectly. Earlier the Canadian mezzo Catherine Robbin sang meltingly in the first Prologue, and the tenor Jean-Paul Fouchécourt voiced Mercutio's "Queen Mab" scherzetto with bright precision. In short, all the elements were in place and literally, physically, where

Berlioz wanted them to be. How much did that matter? It proved very effective for a concert-performance, but on recordings similar effects of balance and relative distances have often been achieved. Gardiner's period instruments sounded good, but not arrestingly different from their modern counterparts.

As it happens, this London season is replete with Roméos. Next week Sir Colin Davis is to conduct the modern, non-"authentic" London Symphony in it; and on St. Valentine's Day Roger Norrington - "period" scrupulous to the last detail, often inspired - will offer his version with the London Philharmonic. Lovers of Berlioz should rejoice. Roméo es Juliette is a hybrid piece, but a great one: its lustre can only be enhanced, not exhausted, by combatively distinct readings.

David Murray

### Vaughan Williams' unique vocal drama ichard Hickox and the

Bournemouth Symphony Orchestra's cycle of Ralph Vaughan Williams's nine sym-phonies achieved a sort of choral finale at Barbican Hall on Monday night – an event sponsored by the Financial Times Group and broadcast live on Radio 3 as part of its "Fairest Isle" British music celebration. As a welcome extra in a substantial programme comprising the ninth and second symphonies (works separated by more than 40 years), the Serenade to Music was given a rare outing in its original version for 16 solo voices and orchestra. Devised in tribute to Sir Henry his conducting career in 1938, it is a setting of lines spoken by Lorenzo to Jessica in The Merchant of Venice, musical lines evoking heavenly music and now "become the touches" of Vaughan Williams's "sweet

In this rapturous reading the soloists were of such calibre that their individual fees multiplied by 16 would certainly have broken the bank, but happily they waived them. It is, after all, a kind of honour to take a role in this unique vocal drama, each entry of which is marked in the score with the initials of one of the illustrious British singers (including Iso-bel Baillie, Eva Turner, Muriel Brunskill, Heddle Nash, Roy Henderson) who gave the premiere. On Monday one could try to assess the fitness of each entry to its latter-day exponent. Adrian Thompson certainly came into his own

"Still quiring to the young-ey'd cherubins", his voluminous tenor exactly scaled to the ball. Janice Watson's top note on the final word "harmony" was dauntingly exquisite.

After this honest balm the ninth symphony - dating from 1958 when the composer was 85 - was like a disturbed dream; a dream, we are to understand of Thomas Hardy's Tess at Stonehenge. The "late manner' in Vaughan Williams's case is not so much a matter of ellipsis, though the four movements are admirably concise, as of a lurid heightening of colour. Unmisgiving use is made of a trio of saxophones; there is a big flughelhorn solo in the ante sostenuto seco movement; tuned percussion and side drum have plenty to say. More predictable are the echoes of Vaughan Williams's earlier music.

But this is less a retrospective symphony than a breaking of new ground; directly influential, I should say on the later Tippett. The BSO played it with wonderful sensitivity and power. It was perhaps a mistake to end the cycle on A London Symphony (1914) and thus with a (fourth) movement that shows Vaughan Williams at his more ponderous. But Hickox gave us a Lento of memorably hushed and floating English ecstasy and secured an almost Mendelssohnian lightness from the flute and violins in the Nocturne scherzo. His VW cycle has been an altogether popular and impressive undertaking.

**Paul Driver** 

#### sheltering a host of movement-makers of many and varied ambitions, was opened on Tuesday night. This year it shelters some

he Dance Umbrella

distinguished creators: Merce Cunningham, Siobhan Davies, Richard Alston, Mark Baldwin and DV8 will show new work. (There will, of course, be vexations others, whose proper setting is Broadmoor. though DU allows them their dreadful moment in the spotlight.)

The festivities began in schizophrenic and not untypical manner, with two soloists installed at the ICA, that proto-

INTERNATIONAL

■ AMSTERDAM

Stedelijk Tel: (020) 573 2911

OPERA/BALLET

Moses and Aaron: by

Christiaan Bastiaans: giant video

installation; from Oct 14 to Nov 26

Het Muziektheater Tel: (020) 551

Schoenberg. A new production

conducted by Pierre Boulez. Soloists

include David Pittman-Jennings as

Moses and Chris Merritt as Aaron;

Symphony Hall Tel: (410) 783 8000

Baltimore Symphony Orchestra:

Christopher Seaman conducts Bach,

with soprano Janice Chandler.

Schumann; 8pm; Oct 13, 14, 15

with sopreno Harolyn Blackwell,

tenor Karl Dent. Robert Shaw

Baltimore Symphony Orchestra:

mezzo-soprano Delores Ziegler and

Villa-Lobos, R. Strauss and

8pm; Oct 12, 15 (1.30pm), 17, 20

directed by Peter Stein and

**BALTIMORE** 

CONCERTS

Paradigm and Private Collection

type of an Albanian holidav camp. And, as a protest, why is it necessary for the audience at these evenings - and at The Place and Riverside Studios to be kept herded outside the auditorium doors, as if waiting for a wigging from the Head, until one minute before starting time? It is either incompetence or an insolent disregard for the punters, and is shocking bad manners on

the part of the management.

GALLERIES

6310

conducts Barber and Mozart:

Baltimore Museum Tel: (410) 396

Parallels and Precedents: 19th

century French art from the George

highlights the parallels between the

A. Lucas Collection. The exhibition

Lucas Collection and permanent

Walters Art Gallery with more than

100 pieces by artists such as Monet, Matisse and Pissaro; to Oct 15

Deutsche Oper Tel: (030) 34384-01

Conducted by Jiří Kout and directed

by Götz Friedrich, this performance

concludes the complete cycle; 5pm;

Madame Butterfly: by Puccini.

Conductor Sebastian Lang-Lessing,

production by Pier Luigi Samaritani;

Siegfried: by Wagner. Conducted

Queen Elizabeth Hall Tel: (0171)

• The Chinese New Tide: with

Shi Kelong. Tan Dun conducts a

Chinese composers such as Qu

Xiaosong and Chen Qigang; 7.45pm;

Royal Festival Hall Tel: (0171) 928

programme of first generation

Philharmonia Orchestra:

soprano Judith Mok and baritone

by Jiří Kout and directed by Götz

Götterdämmerung: By Wagner.

collections in the BMA and the

**■ BERLIN** 

OPERA/BALLET

7,30pm; Oct 13, 21

■ LONDON

CONCERTS

928 8800

Oct 22

Friedrich; 5.30pm; Oct 12

Oct 15

8,15pm; Oct 19, 20, 21

The performance comprised two solos, each lasting less than half an hour. Or rather, Russell Maliphant's virtuoso Paradigm ran its allotted time; Dana Reitz's Private Collection lasted several months.

Miss Reitz is an American who seems trapped in the dear, dead days of 'sixties experiment, when earnest souls at Judson Church in New York re-invented dance. (Next year, the wheel.) She appears in a

7,30pm; Oct. 19

7.30pm: Oct 15

OPERA/BALLET

13, 16, 18

12, 17, 20

GALLERIES

(213) 626 6222

831 1772

white trouser suit, and moves as to a gun-shot. Time, like with more physical caution than seems warranted. Most dancers work up a tre-

artistic community began to

re-examine form, function and

meaning; from Oct 15 to Feb 4

Division of Labour, Women's

to explore issues of gender in

artmaking; to Jan 7

**■ MUNICH** 

**GALLERIES** 

Haus der Kunst

Gaugin; to Oct 22

CONCERTS

■ NEW YORK

Work in Contemporary Art: paintings

by male and female artists are used

Impressionist Masterpieces: from

the Barnes Collection. Artists include

Alice Tully Hall Tel: (212) 875 5050

Lincoln Center Jazz Orchestra:
Wynton Marsalis conducts a

programme that includes Ellington,

Monk and Mingus; 8pm; Oct 16 Carnegie Hail Tel: (212) 247 7800

New Orleans to Now: with the

concert gives an overview of the

Orleans through the swing years of

The Met Orchestra: with bass

conducts Mahler's "Kindertoten

bantone Bryn Terfel, James Levine

lieder" and "Symphony No.6"; 3pm;

Museum of Modern Art Tel: (212)

Armette Messager: retrospective

books, photographs and installations

that demonstrate how all things can

of the French artist consisting of

represent objects of expression;

from Oct 12 to Jan 16

Carnegie Hall Jazz Band, this

history of jazz from early New

bebop; 8pm; Öct 12

Oct 15

GALLERIES

708 9480

Matisse, Picasso, Van Gogh and

mendous sweat in performance, Miss Reitz contrives to goad herself towards rigor mortis, as tiny twitches and flicks of the hand, little lunges and elfin gestures, bead her brow with goose-pimples. It is dull and dolorous stuff, taking place in a deathly hush. If a pin dropped, we should react

Miss Reitz, stands still. Russell Maliphant is a fine dancer. A grand soloist with the Royal Ballet, he has during the last decade made a series of powerful appearances as performer and choreographer in post-modern style, notably in collaboration with Laurie Booth. He shares Booth's oiled muscularity and rippling sense of dynamics.

His own special gift is a style

 Edward Hopper: impact on American art by the artist through 65 works; to Oct 15

#### PARIS CONCERTS

Champs Elysées Tel: (1) 49 52 50

 José van Dam: bass baritone accompanied by pianist Maciej Pikulski plays Schubert's "Le Voyage d'Hiver"; 8.30pm; Oct 14 National Orchestra of France: with bass baritone José van Dam. Serge Baudo conducts Berlioz, Delibes, Massenet and Wagner; 8.30pm; Oct 17

 National Orchestra of France: with planist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21

#### WASHINGTON

CONCERTS Kennedy Center Tel: (202) 467 4600

with planist Horacio Gutiérrez. Raymond Leppard conducts Brahms' "Tragic Overture" and "Piano Concerto No.1" and Schubert's "Symphony No.4"; 7.30pm; Oct 12, 13, 14 National Symphony Orchestra: with pianist James Tocco. George

 BBC Symphony Orchestra: with violinist Nadja Salemo-Sonnenberg.

Andrew Davis conducts Delius, Glazunov, Carter and Bartók; 2pm; Oct 22 National Symphony Orchestra:

Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic

Dances"; 8.30pm; Oct 19, 20, 21 Washington Chamber Symphony: Stephen Simon conducts Vivaldi. Argento and Haydn; 7.30pm; Oct 13,

**GALLERIES** Hirschhorn Museum Tel: (202) 357

2700

 Directions-Martin Kippenberger. works on paper. Approximately 50 satirical drawings on hotel stationary by the german artist along with some of his collages and drawings on paper; to Oct 22

National Gallery Tel: (202) 737 4215 A Great Heritage: Renaissance and Baroque drawings from Chatsworth consisting of 105 works by artists such as Rembrandt, van Dyck and Raphael; to Dec 31 OPERA/BALLET

Kennedy Center Tel: (202) 487 4600 Suzanne Farrei Staged

Balanchine: an evening of George Balanchine choreographed pieces performed by the Washington Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17, 18, 19, 20, 21, 22 (2pm) THEATRE

Arena Stage Tel: (202) 488 3300 ● The Plough and the Stars: by Sean O'Casey. Tragicomedy of urban warfare during the Easter Rebellion against the British. Directed by Kyle Donnelly; to Oct 15 Shakespeare Tel: (202) 393 2700 Macbeth: by William Shakespeare, directed by Joe Dowling. Cast includes Stacy Keach; 7.30pm; to Oct 21

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Midnight Financial Times Business Tonight

# Motivation behind a silent Italian gnome



to interview Enrico Cuccia in a Milan street a few weeks ago. The

REVIEW - 87 year-old banker did not even lift his head to look at his inquisitor, but continued his slow daily shuffle towards Mediobanca, the merchant bank he founded nearly 50 years ago. In an age when popes and kings have submitted to report-

ers' questions, the Sicilianborn Cuccia remains a silent celebrity. Giancarlo Galli, a financial journalist, admits in the preface to Il Padrone dei Padroni ("The Boss of the Bosses") that it was prepared "without even the slightest co-operation" from its subject. He dedicates the book to Cuccia anyway, but it will disappoint any reader who expects a biography. We probably learn more in two para-graphs about Cuccia's mentor and friend André Meyer of Lazard Frères (the banker who famously posed the rhetorical question "Why be unpleasant when, with a minimum of

effort, one can be obnoxious?")

than we learn about Cuccia in

the whole book. But Galli is attempting a different exercise: a history of post-war Italian capitalism through the prism of Mediobanca. It was founded in 1946 by three state-owned banks to offer medium-term finance and to form "a direct link between the investment community and the financing needs involved in rebuilding Italian industry". As Galli makes clear, this was merely the outline recipe for a rich potion of influence, opportunism and economic vision, brilliantly stirred together by

Cuccia himself. The timing of publication could not be better. Cuccia and Mediobanca are again besieged by controversy over their plan to merge Gemina, the investment company controlled by the merchant bank and its corporate allies, and Ferruzzi Finanziaria (Ferfin), the holding company which controls the Montedison industrial group. At the same time, Mediobanca is leading the underwriting of a record rights issue aimed at reviving Olivetti, the

IL PADRONE DEI PADRONI Enrico Cuccia, il potere di Mediobanca, e il capitalismo italiano By Giancarlo Galli Garzunti, L27,000 272 pages

lossmaking computer group. The Gemina-Ferfin merger is the latest episode in a long and tangled history of Mediobanca involvement with Montedison. dating back to Cuccia's patronage of the merger between Montecatini, the chemicals group, and Edison, the energy and chemicals company, in the

Today, supporters of Medio-banca sound aggrieved when the bank is criticised for the latest attempt to restructure Montedison and Ferfin. They point out that it was Mediobanca which "rescued" the two companies when corruption and alleged mismanagement brought them close to collapse in 1993, by masterminding a financial restructuring which allowed creditor banks to swap debt for equity and kept the conglomerate intact.

ut Galli reminds us that Mediobanca was for years the pilot guiding Montedison. "[Montedison] has tortured Enrico Cuccia for more than 30 years. He . . . was midwife to the omnivorous monster [which] gobbled up billions from savers and banks, as well as legions of managers and dynasties, without ever achieving the goal of ... a decent seat at the international high table of chemicals and agribusiness". This latest merger plan, he suggests, bears witness to Cuccia's desire to finish the job begun in the 1960s.

Cuccia does not need to dedicate his old age to this. He officially retired as managing director in 1982 and became "honorary chairman" in 1988. Mediobanca is staffed by skilled bankers, one-and-a-half generations younger. Why does 'lo gnomo" - the gnome, as Galli calls him - go on?

Money is not the issue. Galli underlines Cuccia's distaste for the self-enrichment of corrupt entrepreneurs and politicians in the 1980s. The book refers to

ing gross income of L672m (\$418,000), L524m of it from Mediobanca - a comparatively modest sum for a top financier.

Instead, he attributes to Cuccia, a devout Catholic, a more abstract sense of mission, developed during the war. when the young banker was an active member of the antifascist Partito d'azione, and fleshed out in discussions with Meyer of Lazard Frères. Galli says that even before the foundation of Mediobanca, the two men wanted to "re-establish "the supremacy of capitalism" through finance, at a moment when it seemed threat-

ened...by communism".

Il Padrone dei Padroni is a chronicle of the single-minded way in which Cuccia went about establishing that supremacy, resisting the influ-ence of the state, which osten-sibly controlled Mediobanca until 1988, keeping the capital-ist flame alight during years of terrorism and corruption, and turning recent privatisation issues to its own advantage.

Galli avoids a definitive judgment on the success of Cuccia's mission and on the man himself, although he raises an eyebrow at what he calls his "strange ethics", which have seen him put under judicial investigation more than once. He also quotes at length the criticism of his former friend and colleague, Carlo Bombieri, that Cuccia has introduced into Italian business "an exclusively financial mentality" in which "all that counts is financial engineering".

Finally, the book only touches on what may lie ahead for Mediobanca. Galli speculates that Mediobanca could realise Cuccia and Mever's long-term international ambitions by effecting a merger with Lazard. But as international distaste of the Gemina-Ferfin plan shows, tolerance of Mediobanca's manoeuvres has worn thin in the past decade of liberalisation and increased global competition. At least one US fund manager has indicated its unwillingness to invest where Mediobanca is involved. Such criticism will not worry Cuccia himself, but it should worry his heirs.

Andrew Hill | reduction more difficult to

## ECONOMIC VIEWPOINT

# Kenneth Clarke's £3bn tax puzzle

By Samuel Brittan

achieve. Thus they are damned if they raise interest rates, and

₹ he British tax burden

has increased, is increasing and ought to be diminished – but

not by means of the spurious £3bn of annual tax reliefs

which the chancellor might be able to scrape out of his barrel in his November 28 Budget.

There was a severe phased increase in the tax take as a

result of the two Budgets of

1993; and this may explain

more about the anger of Tory and former Tory voters than any amount of high-falutin'

talk about leadership or gov-ernments fostering selfishness.

From now on the tax vice

will tighten more slowly, but tighten nonetheless. The pro-

jections in the last Budget Red

Book showed tax and other

receipts rising from 36 per cent

of gross domestic product in 1993 to 40 per cent by the late

1990s – about £30bn per annum

at current values. Any reliefs

in the coming Budget will be

ment of Budget prospects comes as usual from the Green

Budget: Options for 1996, pre-

pared by the Institute for Fis-

cal Studies in collaboration

with Goldman Sachs.
The Green Budget projec-

tions illustrate a paradox. The

first table shows the outlook

for the public sector borrowing requirement - simply the name of the Treasury's pre-ferred definition of the budget

deficit. It shows that the PSBR

is much higher under what is

called the "inflation control"

projection than on the baseline of current policies. For Gold-

man Sachs, like the Bank of

England and many other fore-

casters, expects underlying

inflation to stay a little above

the official 21/2 per cent target

on the basis of present policies.

The standard way of trying to bring down inflation

involves, alas, recession or at

least slow growth, which in

turn reduces tax revenue and

increases discretionary spend-

ing on items such as benefits.

Thus if the chancellor were

determined to get inflation

down to 21/2 per cent within

two years, the PSBR would be

several billion pounds higher

for the remainder of the 1990s.

frequently in Bernard Connol-

ly's recent critical study of

European exchange rate poli-

tics, The Rotten Heart of

Europe (Faber). Countries try-

ing to keep their exchange

rates close to the D-Mark have

often had to raise interest

rates, which has slowed down

domestic growth and made the

Maastricht criteria for deficit

This same paradox turned up

The best preliminary ass

trifling in comparison.

damned if they don't.

What the British situation shows is that the dilemma is not only a matter of exchange rate systems. Whenever a gov-ernment wants to reduce inflation, there is a conflict between anti-inflationary virtue and fiscal virtue. Finance ministries are never likely to be sufficiently successful in getting people to avert their gaze from the actual to the structural deficit (which abstracts from the business cycle) to prevent this dilemma

from causing trouble.

The second table shows that on unchanged policies the PSBR will fall rapidly over the next few years, although from a higher starting point than the chancellor had hoped in 1994. Present strategy is based on the goal of a balanced budget, which the institute believes to be over-ambitious. Two alternative criteria are set out. One is to have a PSBR low enough to stabilise the publicsector debt ratio; the other is to have a deficit no higher than that covered by publicsector capital formation (the so-called golden rule). Both criteria suggest a PSBR ceiling of 2½ per cent of trend GDP that is, what GDP would be if the economy were working without any gap between actual production and sustainable output. This leads the authors to suggest that Mr Clarke may have gone too far

The argument ignores the impressive case for a structural Budget surplus. This will be necessary if future governments are to have the wherewithal to provide a capital endowment - or merely finance a minimum income guarantee - for those at the bottom end of the labour market. And in more conventional terms, a budget surplus would probably increase the national savings ratio - although not fully in proportion - and at the

in committing the government

to stringency in the public

\$				
1995-95	98-97	97-98	98-69	. 99-200
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26.6	19.2	13.8	9.9	2.7
3.7	2.6	1.8	1.2	0.3
	26.6 3.7 26.6	26.6 16.1 3.7 2.1 26.6 19.2	26.6 19.2 13.8	1995-86 98-97 97-98 98-99 26.6 16.1 8.4 2.5 3.7 2.1 1.0 0.3 26.6 19.2 13.8 9.9

Afternative PSBR plans 1995-96 1996-97 1997-98

same time tend to "improve" the current balance of pay-

7998-99

In practice the Green Budget simulations do not depend on any departure from present fiscal objectives one way or the other. The authors believe that the chancellor will obtain some £3bn for personal tax relief from some mixture of publicspending economies and lowvisibility minor tax increases here and there.

They have no great hopes of savings in the main publicsector programmes for social security, health and education. They have taken present institutional structures for granted and not investigated the far-reaching proposals for returning decisions in these areas to the citizen put forward by the former Labor New Zealand finance minister. Sir Roger Douglas, or Frank Field, the UK Labour MP.

One assumption made by the institute is that the chancellor will play games with the contingency allowance. This is normally fixed at a fairly large

sum for several years ahead and is gradually allocated among programmes as the years roll forward. It stands at £9bn for 1997-98, but only at £3bn for 1995-96. Money could in principle be saved by elimi-

nating the reserve next year, thus telling departments that, even in an emergency, they could only have extra cash at the expense of each other. The net result could on paper look like a freeze, or even a slight cut in public spending in real terms, which has not been achieved since 1988-89.

On specific taxes, the institute has one very good point and one very bad one. The good one is the half-baked nature of a windfall tax on utilities. Such a tax would not affect shareholders who had already gained from monopoly profits, but had sold out in time. Moreover it would be a very bad substitute for regulatory reform itself and some of the levy could ultimately fall

The bad idea is to eliminate tax relief for profit-related pay.

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine').

THE EDITOR

This was introduced in the 1988 Budget and had hardly got going during the last recession. The rate of take-up has since much increased; and the eco-nomic test will come in the next profits downturn. We will then see whether a reduction in remuneration arising automatically from profit-related pay might partly take the place of the employment reductions which are the normal knee-jerk reaction of too many busi-nesses in times of difficulty. It would be typical of the British official class to withdraw an innovation before it had been

n the possible "cuts" in mainstream per-sonal taxes, the institute examines possible packages. The most superficially tempting would be to use all the available sums for a 2p cut in the basic rate of income tax. But not only would the benefits go disproportionately to the better off, it would also be throwing away more fundamental opportuni-

The Green Budget authors examine an ingenious scheme for cutting tax allowances to finance a big widening of the lower 20p band so that more people paid tax at this rate than at 25p. The chancellor could then declare that 20p was now the basic rate of tax and this long sought-after Tory goal had been achieved in one

But widening the lower rate band would be a spurious "social" gesture, as it would only help those who aiready pay tax at the 25p rate. Undoubtedly the best way to help the least well off would be not be to cut, but to increase personal allowances, thus raising the tax threshold and taking many earners out of tax altogether.

It might then make sense to combine this with an increase in the higher rate 40p tax threshold. As a result of the failure to index it, some 2.2m taxpayers now pay this higher rate (compared with less than 700,000 in 1979) and it has now become a middle-class tax. The appeal of a higher threshold is that it would make much bigger difference to marginal tax rates for a key group than any. inevitably much smaller, head line reduction in the basic rate. In view of what was said earlier on, such a reform would redistribute rather than reduce the total tax burden; and it would be neither a Tory nor a Labour Budget – which is why I have not many hopes that it

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# Immigration debate in US is deflecting from real problems

From Mr Arthur C. Helton. Sir, Jurek Martin's article on the immigration debate in the US ("Rejected by Statue of Liberty". October 7/8) depicts a policy dilemma that has become badly politicised. In truth, the US immigration experience has been both enobling as well as painful. Successful assimilation and heightened productivity have been accompanied at times by social tension and even displacement of US workers in specific circumstances. A full

American national identity as to counsel against curtailment of significant levels of admis-

However, politics have become paramount. The immigration debate has become an overheated argument that has recently permeated the mass media. Immigration reform is an inexpensive substitute for difficult policy prescriptions concerning the economy, trade, cost and benefit analysis is elu- health care, welfare, education | New York 10106, US

sive. Yet the immigration tra-dition has become so deeply So politicians on all sides will embedded in the tissue of the continue to find the immigra-So politicians on all sides will continue to find the immigration debate attractive, and the issue is likely to remain a national political question at least until the presidential election next year. Hopefully, the extreme rhetoric will then subside, enabling more thoughtful reform. Arthur C. Helton,

director of migration Open Society Institute, 888 Seventh Avenue, Suite 1901,

# UK minister has a poor recall of history

From Mr Fergus Randolph. Sir, Your report on the Conservative party conference ("Anti-Brussels speech wins loud applause", October 11) cites Mr Michael Portillo, the UK defence secretary, as saying that Britain was blessed with troops willing to give

clearly forgotten 20th century history. Britain went to war in 1914 for Belgium and in 1939 for Poland. Those were the days when Britain put what it regarded as the general good first before purely selfish party political interests. While no doubt cheap

their lives "for Britain, not for applause can be gained from 21 Wolsemstroat,
Brussels". Mr Portillo has knee-jerk nationalism, Mr Por-

tillo should remember that the main reason why he and his generation have not had to risk spilling their blood on some continental European field is precisely because of the existence of what is now known as the European Union Fergus Randolph

## A riddle for the UK transport minister

From Mrs H.B. de Febrer. Sir, Perhaps Mr Steven Norris ("The transport minister takes the bus, train and tube" October 7/8) can solve the riddle that puzzles me every time I'm in London. Nobody else has been able to.

While, per se, I fully share the minister's enthusiasm for London buses, the "fizzing" is much dampened whenever I have to queue for more than Park to take the No 14 to Ful- | opposite direction, since from

don will observe, can happen anywhere, due to heavy traffic, es, but - lo and behold directly behind my bus arrives a second, third, even fourth No 14. Unfortunately you cannot bet on it. Therefore like everyone else I scramble on to the first, while the other buses follow in convoy (empty) or start a race, overtaking each other. This bizarre phenomenon does not appear to occur in the

ham. This, the stranger to Lon- | Fulham the buses tend to arrive at regular intervals and one by one. However, also on different routes, buses will chase each other about town; the first will be packed, while the rest have one pass the conductor. Do the drivers have tea somewhere and a nice chat, whereafter they all leave together?

Hildegard Bowen de Febrer.

Jaime Morera, 5, 18990 Algorta, Vizcaya, Spain

#### UN decline means more nationalism

From Mr Anthony Harrigan. Sir, Joe Rogaly ("Back to nationalism", September 30) accurately describes the UN as a dying creature. From the start, the founders did not understand what lay ahead. They failed to envisage the protracted conflict between the western nations and the former Soviet Union.

They also failed to grasp the explosion of new states and the absurdity of giving everyone the same weight as leading

Undoubtedly, it is too late to deconstruct the UN. It will simply fall apart, as indeed it is doing now. That is simply the way of the world. No one cries for the disappearance of the Holy Roman Empire. Nationalism is another fact of life. It will intensify in the 21st cen-

China is embarked on a massive military build up. Japan, increasingly, through its eco-nomic power holds the US in

Indeed, it is unfortunate that the Atlantic nations are not more nationalistic, more determined to defend their nation's interests and identities in the face of third world pressures. The survival of western civilisation depends on fresh mani-festations of will by the western countries and the strongest defence of Eurocentric values

Anthony Harrigan counselor. United States Business & Industrial Council Educational Foundation, 122 C Street NW. Suite 815. Washington, DC 20001.

# Depressing reluctance by IMF to produce solution to Africa debts

From Ms Ann Pettifor. Sir, George Graham suggests that there are differences between the World Bank and International Monetary Fund over the number of countries

which face unsustainable debt burdens ("World Bank pressed on debt burden". October 10). On the contrary. The IMF's latest World Economic Outlook makes clear that Fund analysis share the Bank's pessimism

about the unsustainability of the debt overhang for many countries in sub-Saharan

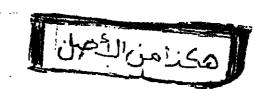
On page 44 of the latest World Economic Outlook, the IMF states that "for most of the region, the debt burden remains extremely high [with] levels that exceed 400 per cent of export earnings. Few countries appear to have any realistic scope for servicing debt

burdens of such a magnitude". Given this public recognition of the intolerable debt overhang facing countries in Africa, we find it depressing that the IMF has been reluctant to come forward with solutions. We still await a response to the call by leaders of the Group of Seven coun-tries in Halifax, for "new mech-

"comprehensive approach" to

debt owed to the multilaterals. This is not an academic issue for millions of Africans in countries where debt repayments take precedence over expenditure on, for example, water or health. For many it is a matter of life or death. Ann Pettifor, lobbyist anisms" to be developed for a

Debt Crisis Network. PO Box 100, London SE1 7RT, UK



# هكذامن الأدبل

# FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday October 12 1995

# Wolfensohn's IDA crisis

Mr James (Jim) Wolfensohn has been president of the World Bank for four months. But his speech at the annual meetings of the Bank and the International Monetary Fund still dealt only in generalities. This determination to learn before reaching decisions is quite sensible, provided he does not delay too long. But the world is not inclined to wait upon his convenience. Mr Wolfensohn must already deal with the determination of the US Congress to slash its contribution to the International Development Association. the World Bank Group's arm for concessional lending.

The donor contribution to the 10th IDA replenishment, covering 1993-96, was set at SDR 13bn (£12.3bn), of which the US share was SDR 2.71bn (US\$3.75bn or \$1.25bn a year). The administra-tion has requested \$1.39bn for the 1996 fiscal year. But the House of Representatives has agreed a mere \$575m and the Senate only \$775m. Either way, the US would be in default on its commitments. Under the burden-sharing arrangement with other donors, IDA resources for this year could be

Furthermore, the discussion of the 11th replenishment needs to be completed quite soon if it is to begin in July 1996. The donors are being asked to contribute SDR 9bn, with the US share set at about \$2.75bn. Yet even this amount, albeit substantially smaller than for the 10th replenishment, is much more than Congress seem likely to

A solution for the 10th replenishment would be for the US to pay its obligations in arrears, as has happened before. But this could not work for the 11th, unless the US were prepared to make the initial commitment. One way out would be to create a special fund, as happened in 1984, to which other donors would contribute. But all such makeshift arrangements are grossly unsatisfactory. What makes congressional reluc-tance particularly irritating is the largesse to Israel and Egypt, which receive some \$5bn a year

First and foremost, the issue is one of US willingness to meet its international obligations. But there is also a question about how to use scarce IDA funds. That question would become far more salient if they were drastically cut. These scarce funds should no longer go to countries that are, or could easily become, creditworthy for commercial borrowing, such as China or India, They should also not go to poor countries with dreadful records of mismanagecorruption

hetween them

Mr Wolfensohn is right to demand a sustained flow of concessional assistance. But IDA funds must be used to jump-start the economies of those countries that are not merely poor and uncreditworthy, but are making a serious effort to escape from these conditions. This is what the World Bank is trying to ensure. It needs to demonstrate success if it is to

# Italian capitalism

magistrates of executives at Gemina, the quoted Italian investment company, could hardly be more awkwardly timed for the powerful business dynasties which comprise its main shareholders. The affair inevitably casts doubts on their plans to use Gemina as the main vehicle for a large and controversial merger of Ferruzzi-Montedison and Fiat's chemical interests. But the incident also prompts broader concerns, which go well beyond the fate of this

The magistrates have divulged little about their inquiries, beyond the fact that they focus on alleged falsification of accounts. Nor have Gemina's public statements served the interests of clarity. It is therefore impossible to know the exact nature of the suspected offences, still less whether any have actually been committed. But this murkiness about the facts is in many ways the most disturbing aspect of the situation.

Nach

SECTION SERVICES

As the head of the Milan stock exchange acknowledged this week, the affair poses a threat to confidence in Italy's capital markets. Transparency and reliable information are the lifeblood of efficient financial markets. The risk is that this incident will be taken, by international investors in particular, as further evidence that Italy is still falling short of acceptable standards.

Its stock exchange authorities have, admittedly, gone some way to modernise trading systems. The problem, however, lies in the basis

The investigation by Milan on which dealing is done. Scarce institutional liquidity and weak regulation have left trading dominated by a few big industrial groups, with little incentive to press for greater openness.

> Opacity is further encouraged by "cascade" ownership structures, which have led to large swathes of Italy's corporate sector being controlled through minority holdings. The Byzantine nature of the planned Ferruzzi-Montedison deal is one symptom of this sys-tem, which discriminates against other shareholders and must also. provide a constant temptation to insider trading.

These weaknesses have prevented Italy's stock exchanges from developing fully what should be their primary function, raising capital. Until now, that has been a manageable problem. However, the balance has been changed by Italy's ambitious programme of privatisations. If it is to succeed, it will need increasingly to rely on support from global investors.

The Gemina affair hardly seems the kind of advertisement likely to entice them. But it will have served a useful purpose if it helps to hasten greater capital market transparency. Even if backed by greater political will, reforms on the scale needed will take time. In the meantime, the authorities could help to underpin confidence by ensuring, as a minimum, that all future privatisation offers are listed on the New York Stock Exchange and subjected to the full rigour of US domestic disclosure

# Rail privatisation

The privatisation of British Rail is now most of the way down the track. Many thought it would not get this far, and there remains a small chance that an early elec-tion or a rail crisis could halt the process. Short of that, the announcement to the Tory conference yesterday that the sale of Railtrack, the company controlling the track and property assets of the rail network, will proceed by next April, puts in place the last big piece in the UK's most complicated privatisation yet.

By April some 40 per cent of rail services are likely to be operated by private companies. The companies responsible for providing rolling stock and maintaining the track are also likely to be in the private sector. If the sale of Railtrack succeeds, privatisation will be largely complete, although the question of subsidy levels and minimum service requirements will dog every government for the foreseeable future.

Controversy over the pros and cons of rail privatisation has reverberated across all three party conferences. Given that it is now set to happen, the debate ought to move on. Ministers need to make the best of the job they have taken in hand, while the opposition parties should reconsider the commitments they have made to rena-

tionalise the industry. The starting point for both sides should be the needs of the passengers and freight carriers whom the railway exists to serve. This rules out any return to the status quo ante, which was chronically inefficient and could not in any event be recreated without massive, debilitating upheaval.

The opposition parties appear to accept this, which makes their renationalisation commitment bizarre as anything other than an electoral gimmick. In practice, it seems Labour will follow the Liberal Democrats and interpret "state control" as a majority stake in Railtrack. Mr Tony Blair would be foolish to pledge any more if he has any regard for his "tax and spend" reputation.

Given the degree of state regulatory oversight, which is open to modification by a future government, there is no reason why a state-owned Railtrack should be any more customer-friendly than a privatised one. Some in the opposition believe that the renationalisation commitment will halt the initial sale. It is highly unlikely to do so if only 51 per cent is offered for sale and Labour's commitment is only to repurchase a stake sufficient to get majority control. Then the scale of the buy-back would be

Any renationalisation commitment will create damaging uncertainty for Railtrack's management. But far more problematic is the future subsidy regime for the network, which will critically affect levels of passenger service and the security of the new private train operators. The cry for subsidies will not be reduced when the trains are privately operated - particularly if transport policy as a whole remains so heavily weighted against rail use. he world is opening up to mining companies as never before.

From Argentina to Zambia, governments that once treated mining groups with deep suspicion have started competing for their favours. Many have watered down or abolished the foreign ownership restrictions and sometimes punitive taxes that previously discouraged companies from exploring large parts of the

Mining groups are also being invited to bid for state-owned mining assets as huge chunks of the industry are being returned to the private sector around the world.

"The mining industry is suddenly confronted with a wide arena of opportunities that have not been available for several decades," says Mr Bob Wilson, chief executive of London-based RTZ, the diversified mining group.

To exploit these opportunities more effectively, RTZ this week agreed a merger of operations and management with CRA, its 49 per cent-owned Australian associate. The deal will create, in effect, a single corporate entity with assets of £9bn and a combined market capitalisation of about £14bn.

Mr Wilson estimates that since the beginning of the 1990s as many as half the countries in the world have opened their doors to international mining companies and are actively encouraging them to invest. More than 70 countries have changed their mining laws to make themselves more attractive to foreign companies.

All of this is a big change from 20 years ago, when mining was an industry in which internationally operating companies had virtually ceased to exist after being unceremoniously booted out of one region after another.

This expulsion began in the 1950s and 1960s with a wave of nationalisation of mining operations, often as former colonies were granted their

The trend was exacerbated in the 1970s when there was a wave of economic nationalism in two important mining countries, Australia and Canada. This made operating in these countries increasingly difficult for international groups.

By the end of that decade, the mining industry's structure consisted mainly of local companies, mining principally in their own countries, with each concentrating on one or two mineral products.

The present deregulation process started in Latin America in the mid-1980s. Virtually the whole of that region is now actively seeking investment from mining groups. Even Brazil is somewhat reluctantly joining the trend, with plans to privatise its national "flag

Rich seam for foreign investors

Developing countries are taking steps to encourage international mining groups, says Kenneth Gooding

iron-ore producer, early next year. The Brazilian government hopes to raise more than \$9bn from the deal. The changed circumstances are already having an important impact on the structure of the global mining industry, which has generally enjoyed a prosperous period in the past two or three years, with metals

and minerals prices buoyant.

For one thing, they have contrib-uted to a quickening in the pace of consolidation since, for the most part, only big and wealthy companies can afford the assets on offer. Mr Jerry Ellis, chief executive of BHP Minerals, the Australian group, says the mining industry in the 21st century is "likely to be dominated by a relatively small number of large companies that will be truly global in scope, and inter-

nationally staffed". The wave of liberalisation sweeping the sector is also prompting groups to reconsider corporate structures more appropriate to the old days before the transformation in government attitudes. RTZ owned 92 per cent of CRA in the early 1960s, but the stake was subsequently reduced as Australia's wave of economic nationalism led to the enactment of laws that made it very difficult for non-domestic groups to retain more than 49 per cent of operations.

The easier availability of new assets has also encouraged some companies to spread their interests across a comparatively broad range of minerals, rather than focusing on one or two as was typical in the 1970s and 1980s. Companies which have done this include Australia's BHP and Normandy Poseidon as well as Gencor, the South African

Mr Wilson predicts that this process will not go too far, however, because North American investors prefer mining companies to concentrate on one metal. Those investors give "pure" gold

producers in particular much higher stock market ratings than base-metals groups and more broadly based mining companies.

Mr Wilson also forecasts that the vertically integrated structures of most aluminium and nickel companies make it likely that they will bearer" CVRD, the world's biggest remain focused on one metal. Verti-

Top non-fuel miners in 1993 (ranked by value of minerals mined) moera Big mining deals since June last year ■ Batokik Gold tops over Lac Minerals for \$1,650

■ Arges and Weatern Mining murged their occurre and a unimainterests.

■ RTZ and CRA. Australian associate, to morge operations and management

■ Oygras Amax acquired 51 per cent of the El Abra mine from Occatou, the state

cal integration means the same medical, educational and shopping group has stakes in all stages of the production process from mine to finished product.

In many cases, it is not just the money countries can collect from selling companies and mineral deposits, and the promise of tax and royalty dollars, that has encouraged them to open their doors to foreign

In addition, mining operations often provide a way of opening up undeveloped regions. New mines require not only new roads, power and communications but sometimes new townships and accompanying companies seeking information

Mr Fassine Fofana, Guinea's minister of mines and geology, says: "The mining sector will be the standard-bearer for foreign investment in this country. We are keen to attract international mining companies not only for the economic benefits they bring with them, but also as a means of developing Guinea's extremely limited infrastructure." The west African country last month made big changes to its min-ing laws and introduced the concept of "one-stop shopping" for mining

about prospects in the country. From the other side of the fence, the opportunity to expand the geographical range of their operations has come at an opportune moment for many mining companies.

Says Mr Wilson of RTZ: "Some companies feel they have severe problems domestically with such things as permits and with indigenous communities. . They are beginning to feel that things might be better outside their home bases. The first approaches ahead of this week's deal between RTZ and CRA were made by the Australian company, which wants to break out from its domestic base and become more international in scope.

Meanwhile, the privatisations push on at a rapid pace. Raw Materials Group, a Swedish consultancy that analyses the structure of the global mining industry, says its data show state ownership diminishing all around the world. Earlier threats of a new burst of nationalisation in countries such as South Africa, Namibia and Zimbabwe

have come to nothing, it says.

If there is a factor that could slow the present dash by mining companies to invest in areas they had long considered virtually out of bounds, it is that some governments still need to understand, in Mr Wilson's words, that a decision to privatise their mining industries is not in itself enough to encourage invest-

ome African countries have done just enough to persuade a few mining companies to take tentative steps, he says, "but with the exception of Namibia, Zimbabwe and, to some extent, Botswana - they are not offering enough for a bonanza".

The governments of developing countries are often wary of going too fast because many of their citizens still regard the disposal of natural resource assets to foreign companies as tantamount to "selling the family silver".

In Mr Wilson's view, the way international mining companies behave in future will determine whether this becomes a serious problem. The industry was partly responsible for the nationalisation moves in the past, he argues. In Chile, although the leftwing Allende government of the early 1970s nationalised the mining industry, it was with the support of all

political parties.

Mr Wilson also warns that the internationalisation of the mining industry remains fraught with difficulties for companies and governments alike.

"Some companies are being naive about how easy it is to operate in someone else's back yard," he says. We [at RTZ] see problems virtually

#### Diane Summers charts Timberland's journey from small cult brand to multinational company

imberland, the US-based boot and clothing company, has pulled off a dou-ble coup. Its rugged footnot only fashion items in more than 50 countries, they actually work in the great outdoors.

As the yellow leather boot, for which the brand is best known, celebrates its 21st birthday, the half family-owned, half publicly quoted business is having, for the first time, to think about global marketing. It has recently appointed its first worldwide marketing director and decided that all advertising should be done through a single agency: BBDO, part of the Omnicom group.

From next spring, when the new global advertising is likely to kick off, the agency will try to persuade urban dwellers and country types alike that they can enjoy the outdoor associations of the brand, even if they are hiking no further than the bus stop.
Timberland's path from what

BBDO describes as a "garage brand" catering for enthusiasts to a global company has often been painful. Once the darling of Wall Street, Timberland has recently

# Boots for global trip wear and chunky sweatshirts are fallen from grace as it struggles to our call to action. Pull on your overseas, to Italy, came in 1979. The berland is acknowledged by commu-

deal with its growth. The immediate task is to restore operating margins which last year fell to 6.8 per cent. from 9.6 per cent in 1993. According to Mr Sidney Swartz,

son of the company's founder Nathan Swartz, who now heads the company with his son Jeffrey: "We could have allowed the company to remain a small, cult brand. In some respects I wish we had. The brand took control of us, rather than us controlling the brand. We got romanced by the opportunities." This year a conscious effort is

being made to slow down, says Mr Jeffrey Swartz, the 35-year-old chief operating officer: "1995 is about remembering who we are and focusing on what we do best. This is the company that makes yellow boots." The yellow boot has become the symbol of the company's fundamental values. With a near-religious fervour, Timberland's mission statement says: "The Timberland boot stands for much more than the finest waterproof leather. It represents

boots and make a difference. With your boots and your beliefs, you will be able to interact responsibly and comfortably within the natural and social environments that all human beings share."
It is unlikely that the Swartzes originally thought in quite those

'1995 is about focusing on what we do best. This is the company that makes

vellow boots' terms as they struggled 30 years ago to perfect the injectionmoulding technology that led to the first waterproof leather boot. Manufactured for workmen by the Abington Shoe Company, as it then was, the boot was launched on to the market in 1974 under the Timberland brand name. By 1978 the com-

pany's name was changed to Tim-berland, and the first foray

production of hand-sewn casual shoes, boat shoes, hiking boots and clothing followed. By 1991, the company was trading on the New York Stock Exchange.

Two years of rapid development followed, with sales shooting from \$291m in 1992 to \$638m last year. Mr Sidney Swartz admits that the pace was more than the company could bear. "We've had to go back and put new tyres on the car," he says. Analysts were critical of price cutting to achieve growth; distribu-

tion systems broke down, leaving the company with stock on its hands at the same time as retailers were being left without the goods they knew they could sell. As well as having to do battle on

the business front, the company's ethics, in which it prides itself, also came under attack. In a badly handled US newspaper interview, Mr Jeffrey Swartz appeared to try to distance Timberland from its new young inner-city black customers. Around the same time, the company fell foul of animal rights activ-

ists who criticised its association with the Iditarod Trial, a race for dog-drawn sledges.
In spite of these difficulties, Tim-

nity leaders to take its corporate responsibilities more seriously than most. The company appears to be genuine in its enthusiasm for supporting moves to combat racism and social action programmes.
This year Timberland is catching

up with itself and the Swartzes may also be preoccupied with other matters. There have been rumours, for example, of an acquisition by Nike, the sports shoe and clothing manufacturer. Some observers say such a move would make eminent sense, since Nike's rival Reebok already owns Rockport, a brand which com-petes with Timberland in a number of areas.

While it is difficult to imagine Sidney and Jeffrey Swartz letting go, being taken over by Nike could be something of a relief. An American Express advertisement sums up their position. It shows the d-looking pair beside a caption that runs: "We're just an old-fashioned New Englandcompany that got glamorous by mis-

# **OBSERVER**

# Jim sticks to the script

■ Jim Wolfensohn is a veteran of the annual World Bank/IMF meetings, in which thousands of commercial bankers converge on Washington's Sheraton Hotel to lobby the world's finance ministers. He even claims to have listened to the ministers' formal speeches when he first started attending in the 1960s. Devotion above and beyond the call of duty.

This time around, however, the annual meetings have by general consensus been Wolfensohn's show - his chance to show his stuff after four months as World Bank president. The Australian-born investment

banker has already made some changes. Yesterday, for example, the lion lay down with the lamb when he held a joint press conference - his third in as many days - with Oxfam and other non-governmental organisations, who have been among the World Bank's most persistent critics.

For his own setplece speech to the full annual meeting Wolfensohn turned - for the first time - to a teleprompter. World Bank staff, who have got used to him tearing up the scripted speeches in favour of a few scribbled notes, were astonished to see him adhere word for word to his prepared text.

Wolfensohn says his preferred

way of finding out what the World

Bank should be doing is to wander into a village and have a beer. "But then there aren't a lot of bars in villages in Mali or Malawi," he said in an interview with Euromoney. Not a problem facing anyone at the Sheraton this week.

#### Anti-ceptic

Wilfried Thalwitz, who runs the World Bank's operations in eastern Europe and central Asia, is leaving next month to pursue his true love: wild mushrooms.

Some might argue that he already inhabits the perfect environment for the gestation of stale fungi, but Thalwitz is heading off to seek chanterelles beside Maryland's Deep Creek Lake, wild ginseng in West Virginia and boleti, his favourite, in the northern states.

Thalwitz's devotion to his subject is so great that he once talked the Association of Gay Priests of New York into helping him slice and string boleti for drying. He says he knows 200 varieties, "and I've never even had a bellyache."

Wild mushrooms are much more prized in Russia, where Thalwitz has been spending much of his time, but he won't touch them there: "There's too much caesium" as a result of the Chernobyl nuclear reactor disaster, he growls.

Thalwitz says he hasn't yet made up his mind whether he wants to make money in his retirement. But if he does, he thinks he knows where to make it - in the region he has been running for the World Bank.

Just like mushroom-hunting: concentrate on learning the 200 good varieties and don't waste time learning the 1,200 poisonous ones.

#### Porcelain politics ■ Is Chancellor Helmut Kohl's Christian Democratic party losing

its environmental credentials? The opposition Greens in Karlsruhe city council clearly think so. For they say the CDU will be breaking a council decision to ban non-recyclable plastic cups, cutlery and plates in public places when its

holds its annual congress in the city next week. The CDU has, it seems, obtained an exemption from the rule for a fast-food concern that will be serving hungry delegates. It is all rather embarrassing for the chancellor's party, which so heroically rallied opposition to Shell's plans to sink the Brent Spar oil platform in the Atlantic in June.

But then perhaps the CDU's environmental pretensions are in more general retreat. After all, the German government has been pretty quiet about French nuclear testing in the Pacific.

Gates flung wide ■ Not content with owning the code that makes the internal organs of your computer whirt, Bill Gates has just laid his hands on a

mountain of the century's most famous visual images. Čorbis, a private company controlled by the Microsoft founder and multi-billionaire, has just picked up one of the world's biggest photographic collections, the

Bettmann Archive. Among its 11.5m photographs and 4.5m assorted technical and other drawings are a wealth of well-known images, many of which were captured over the years by photographers for United Press International, whose picture library was acquired by Bettmann in 1990. The Bettmann Archive was founded by Otto Bettmann, who fled Germany before the second world

Corbis' aim is to digitalise the most famous of the images and pump them out over a telephone wire to any Internet browser who happens to want them - at a fee. The company has already set about compressing London's National Gallery into digital form, and is negotiating to do the same to the Hermitage in St Petersburg.

#### Marching orders

■ The European Commission is putting up money for educational games on "prejudices and the scapegoat phenomenon". A reaction perhaps to UK defence secretary Michael Portillo's anti-Brussels diatribe in Blackpool? Sadly no. Unaccountably, the funds are going to schools in five regions in Russia.

# Himomaal Ilmis 100 years ago

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impression that the existing set up of the Government with not mean any playing testang loose, is protoundly distincted at the section of the Bill to nationalise the Bank of Engineer which confers while powers on the Government of the day which if carried to its conclusion by a Chanceller wind has lost his financial accument can only have power for evil. can only have power for evil



# FINANCIAL TIMES

Thursday October 12 1995

Spot Foreign Exchange? LIVE Market Information **SP@TBOX** 

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Franc recovers slightly but PM's popularity continues to fall

# Juppé escapes charges over flat

Mr Alain Juppé, the French prime minister, yesterday escaped legal charges over his Paris flat, but the city's prosecutor said he had broken a law on conflict of interest.

He said he would "shelve" the case, on the condition that Mr Juppé provided written confirmation of his verbal promise last week to move out of his well-ap-pointed flat in Paris' sixth arrondissement by the end of this year.

By deciding not to press charges, the prosecutor has spared Mr Juppe from having to resign as prime minister. On this news, the franc recovered some recent lost ground against the D-Mark, closing at 3.487 against 3.506 a day earlier, while French bonds and futures also gained.

weakened politically. After less than five months in office, his popularity rating in the opinion polls has sunk at near-record speed. He is engaged in an uphill struggle to persuade unions of the need for - and financial mar-

kets of the credibility of - his

Mr Bruno Cotte, the Paris prosecutor, said there was "suffi-cient" evidence to pursue Mr Juppé for "taking and maintaining an illegal interest" in awarding himself a city-owned flat in 1990, when he was deputy mayor of Paris in charge of the city's finances and of its "private"

property.

The prosecutor also reprimanded the city authorities for their long-standing cronyism in is in the hands of Mr Chirac, who

But Mr Juppé is likely to renting expensive city-owned emerge from the affair further appartments to local politicians and their friends.

Mr Cotte said he had written to Mr Jean Tiberi, who has succeeded President Jacques Chirac as mayor of Paris, telling him to remind all Paris councillors and officials that similar abuse would lay them open to prosecution for conflict of interest.

Mr Juppe was spared questions about the affair in the National Assembly and his office refused to comment on the prosecutor's conclusions and ruling.

A CSA opinion poll, published yesterday's Le Parisien, gave Mr Juppé an approval rating of only 32 per cent, while 55 per cent said they disapproved of

is himself faring only slightly better in opinion polls. Of possible successors, Mr Jac-

ques Toubon, justice minister. has run into sharp public criticism for overruling, even trying to sack, the head of the justice ministry's anti-corruption unit. who claimed that Mr Juppé could be open to prosecution for cutting his own's son rent. A government spokesman sug-gested yesterday that speculators

were attempting to damage the franc to force the government to reduce its budget deficit. "The markets, mainly British and US, wanted to stage a speculative run on the franc," the

spokesman said "Well, the government does not want to sacrifice its public sector to meet the interests of foreign

## Lotus chief executive resigns

Continued from Page 1

industry and gave birth to the

IBM PC," he said.
Mr Manzi, who as a consultant with McKinsey & Company helped develop the strategy for bringing Lotus 1-2-3 to market, joined the company as director of marketing in May 1983.

In 1986 he was named chief executive and chairman upon the retirement of Mr Mitch Kapor,

Known for his intellectual prowess, sharp wit and strong will, he has ruffled many feathers during his nine years at the head of Lotus.

In particular, he has been an outspoken critic of Microsoft, the industry leader, and he waged a bitter five-year legal battle with Borland International over copyright issues.

Mr Manzi added that the management of Lotus is now in the hands of Mr John Thompson, who is the IBM senior vicepresident in charge of software products and strategies.

# Simpson faces struggle to rebuild fortune after trial

By Christopher Parkes in Los Angeles

O. J. Simpson's chances of being able to rebuild the fortune drained by the costs of his successful defence against double murder charges have suffered a setback in the face of controversy over the verdict.

Lawyers, jurors and assorted members of the supporting cast in the year-long courtroom drama are preparing to cash in with memoirs, television appearances and lectures, but the main character has been left on the International Creative Man-

agement, the second-biggest Hollywood talent agency, which represented Mr Simpson for much of his career and engineered his roles in films such as Towering Inferno and a series of car rental commercials, has dropped him. Mr Jeff Berg, ICM chairman, who last week said his company would not profit from any activities related to the "tragedy".

hardened his position this week.

Under pressure from representatives of women's organisations, which have led the public anti-Simpson campaign, he said links with the former sports star were

Popular reaction to the verdict, which has revealed still-deep racial divisions in the US, has generated a groundswell of dissent - especially among white women - against anything which might be seen as tending to reward or even rehabilitate Mr Simpson.

Just hours before going live last night on NBC, a leading television network. Mr Simpson can-celled what would have been his first post-trial interview. NBC earlier had stressed that Mr Simpson would not be paid for the interview which was scheduled during the Dateline NBC news and current affairs programme. The network said Mr Simpson's lawyers had decided they could not accept the original terms of the agreement. Even though a huge audience

was assured, the broadcaster

tisement bookings for the onehour duration of the planned noholds-barred questioning. Rates for commercials in other segments of the three-hour show were reported to be only marginally higher than normal. Without an agent to "seli"

said it had not accepted adver-

him, Mr Simpson is likely to struggle to make headway with commercial ventures he was reported to have planned in the closing stages of his trial. These included a second book, a payper-view television appearance and product promotions.

However, Mr Christopher Darden, the black lawyer who drew anonymous death threats for his dogged efforts as a senior prosecutor of Mr Simpson, has signed with a leading Hollywood agency to seek his fortune outside the courtroom. Mr Darden, who had not been seen or heard of since bursting into tears at a post-trial press conference, has become a protégé of the William Morris agency, joining his boss, lead prosecutor Ms Marcia Clark.

# THE LEX COLUMN Hot Coles

The logic behind Coles Myer's ambitions restructuring proposals is tenuous. The Australian retailer's move seems more directed at deflecting criticism about its woeful corporate governance record than getting to grips with the business's problems. Coles Myer's lowly stock market rating is mainly due to concern over whether directors are running the group in their own interests rather than those of outside shareholders. Numerous private companies controlled by directors have sizeable business dealing with Coles. The recent sacking of a freshly-recruited indepen-dent finance director has heightened investor fears.

The board's proposal to break the business up is a curious way to respond to the criticism. There is little evidence that the sum of Coles' three retailing parts will exceed that of the

Department stores, food and specialty retailing businesses were merged in 1985 and it will be difficult to unwind combined buying, distribution and financing operations. Greater efficiency and higher individual valuations may scarcely cover such costs. Moreover, Mr Solomon Lew, the chairman, is masterminding the restructuring plan. Given that much of the investor concern has related to relationships between Coles and his private businesses, he is probably not best qualified to reorganise the group. A much better solution to Coles's poor share performance would be to recruit a group of genuinely independent directors who would give confidence

#### Rhône-Poulenc Rohrer

that any restructuring would be to the benefit of all shareholders.

Rhone-Poulenc Robrer's success in clinching Fisons will nelp smooth the pharmaceuticals company's rather jagged profile. But RPR still has some way to go to achieve its goal of global strength in a range of product areas. Fisons is an important piece of the jigsaw. RPR now commands a strong position in the respiratory area, a growth market due to the increase in asthma problems. It is trying to reach the same level in oncology. Its cancer drug Taxotere suffered a set back last year when it failed to gain US Food and Drug Administration approval but it is due to try again. Hopes that the drug will be contributing to profits by 1997 appear well founded.

But there is still a lot of clearing out to be done, as RPR's product range

FT-SE Eurotrack 200: 1508.5 (+14.9) **Coles Myer** Share price relative to the All Ordinaries Index

contains few big earners. Financial constraints will make it difficult for RPR to make further sizeable acquisitions - even if neatly packaged companies like Fisons were readily available. Instead, joint ventures and product deals may offer a slower but still effec-

tive path. There is speculation that RPR's majority shareholder, Rhône-Poulenc, will release value by spinning off its pharmaceuticals subsidiary. While such a move might enhance RPR's attractions, the French chemicals giant does not seem likely to relinquish a business that accounts for a large chunk of its profits.

But even without such a move, the prospects for RPR, once the dilutive effects of the Fisons deal have worn off by the end of 1996, appear to be

#### UK banks

The new powerhouse of Lloyds TSB leaves the middle ground of the UK financial services industry looking sparsely populated. The gap between the three dominant forces of Barclays, National Westminster and, now. Lloyds TSB and the second tier of financial institutions has widened leaving Midland, the Scottish banks, Abbey National and a couple of building societies in a rather awkward noman's land. This makes a merger or takeover among this group look increasingly likely.

As Sir Nicholas Goodison, TSB's chairman, observed yesterday, size does matter, at least in these particular markets. That is partly because the advent of new technology has pushed up the cost of participating in the

financial services industry. There may still be a place for low-cost regional players, but medium-sized participants face a rise in the ratio of costs to income, depressing returns.

For some, like Abbey, the need to

push along diversification is becoming more pressing. But recent consolida-tion makes it increasingly hard to make inroads into areas such as retail banking. Given the profitability of the sector, this does not mean that anyone will go bust. But it does mean that earnings potential may be impaired causing shares to underperform which could in time leave them more vulnerable to takeover.

Even those in the top tier will face some problems. NatWest is in danser of losing its pre-eminent position in lending to small business. Nonetheless, NatWest and Barclays both appear well positioned, with large market share and earnings outside UK retail banking.

#### North West Water

North West Water's grand plan to bring together electricity and water supply in the same region now looks likely to become reality. North West's new cash offer, which includes a 150p special dividend, is worth £11.50 per share - much the highest bid in the sector since the March price review. The other bidder, Texas Energy Partners, has little reason to increase its bid yet again given the cheaper opportunities still available in the sector. Since the merger will not reduce competition in either market, a monopo lies reference also looks unlikely.

Norweb shareholders will be delighted with the handsome price they are receiving. Whether North West shareholders should be happy at the price their company is paying is another matter. A merger undoubtedly has logic: it reduces North West's dependence on water, tax savings will be substantial and there is scope for cutting costs by sharing functions between the two companies.

But there is great uncertainty over the extent of this cost-cutting - particularly since the company refuses to divulge figures. The deal will only stack up financially at this high price if big savings are achieved. A further risk is that North West is moving into a business of which it has little experience. The record of water company diversification to date is poor. North West shareholders must approve the offer on Friday. They are being asked to take a great deal on trust.

# Bosnia troops again exploit truce delay

By Laura Silber in Belgrade, Paul Wood in Banja Luka and Bruce Clark in London

Croatian and Bosnian government forces made use of an extra day of fighting yesterday to capture one more town from the Serbs, as the United Nations made a third attempt to secure a ceasefire agreement after two last-minute failures.

UN officials expected a ceasefire to come into force early today, but the delays this week have raised doubts about the durability of the truce, which the US sees as the starting point for talks on a peace agreement.

The two sides were bickering over details yesterday. The Bosnian government rejected the

ceasefire late on Tuesday and counter-proposed a truce in 24 hours' time. The Serbs said they would reply at 7pm last night. but the government insisted they

must reply at 4pm. Exasperated, the US, which arranged the ceasefire, called yesterday for the two sides to lay

he said.

Sarajevo's darkest days recede

truce, had been switched on.

Nicholas Burns, State Department spokesman. "It appears to us that the gas and electricity have been restored throughout the city . . . We don't believe there is any reason to wait any longer to implement this ceasefire, certainly not any military reasons,"

Page 3 Bosnian government and Croatian forces used the extra time

Most yesterday.

Bosnia, military officers said lines were being drawn to defend the town against 8,000 Croatian soldiers they believed to be in the

Meanwhile, Mr Kris Janowski, spokesman for the UN High Commissioner for Refugees, said he expected Serb authorities in Banja Luka to expel all 20,000 of the Moslems still living in and around the town.

About 6.000 Moslem victims of the latest wave of ethnic cleansing - overseen by the notorious Serb warlord Zeliko "Arkan" Raznjatovic - had arrived in government-held territory by yesterday morning. Refugees said the Serbs had separated the men and taken them away, raising fears for their fate.

down their arms as quickly as possible. It insisted gas and electricity supplies, the restoration of which was a precondition for the

"We believe that it's high time that both the Bosnian government and the Bosnian Serbs move quickly, decisively and directly to a ceasefire," said Mr

#### to take further territory. Relief workers said 40,000 Serbs were on the move after the fall of the north Bosnian towns of Mrkonjic

#### Grad on Tuesday and Sanski In nearby Banja Luka, the main Serb stronghold in northern FT WEATHER GUIDE

# Europe today

An active depression over the UK will bring cloud and rain to Ireland and Scotland. England will remain dry and sunny. The Benefux, Germany and northern France will be foggy in the morning and evening, with sunshine in the afternoon. Southern France and Spain will be sunny

and dry. Eastern Spain and south-east France will have thunder showers. Hungary, the former Yugoslavia and the states will have plenty of sunshine, while Greece and Turkey will have scattered cloud.

#### Five-day forecast

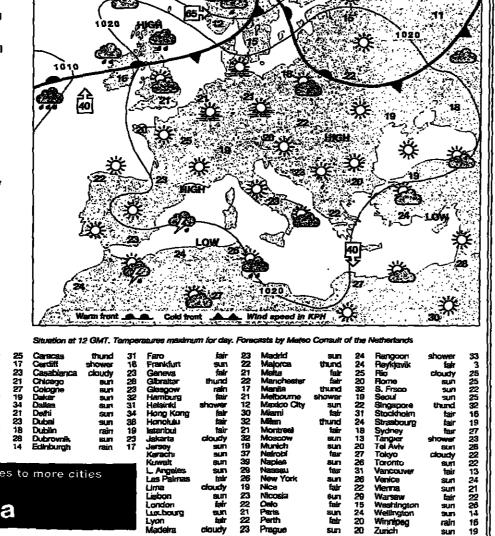
High pressure will remain almost stationary over the continent bringing sunshine to most of Russia, eastern and south-east Europe. Warm conditions will continue in England, the Benelux, Germany and northern France, with morning fod and

afternoon sunshine. Scotland and Ireland will have showers. Showers are expected in England and western parts of the continent by the end of the weekend.

No other airline flies to more cities around the world.

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TODAY'S TEMPERATURES



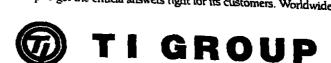
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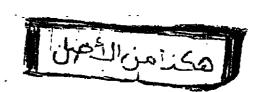
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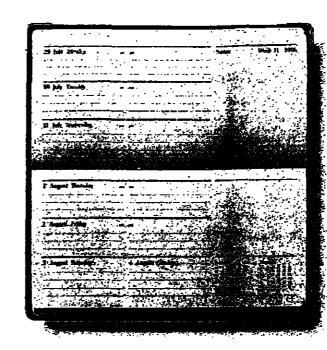


about the TI Group, contact the Department of Public Affairs, TI Group plc. Lambourn Court, Abungdon, Oxon CXL4 1UH. England

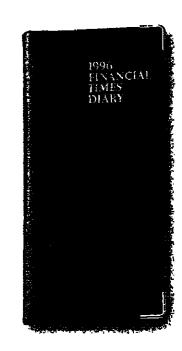


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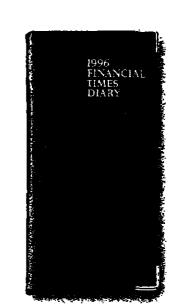
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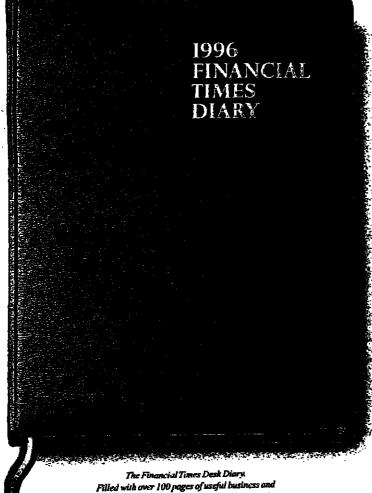
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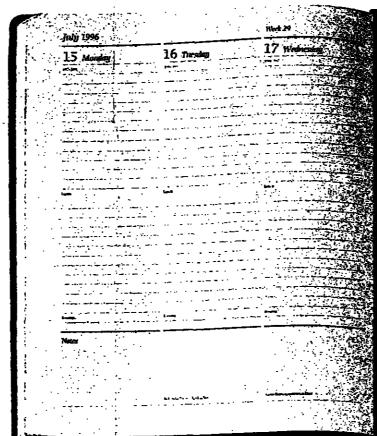
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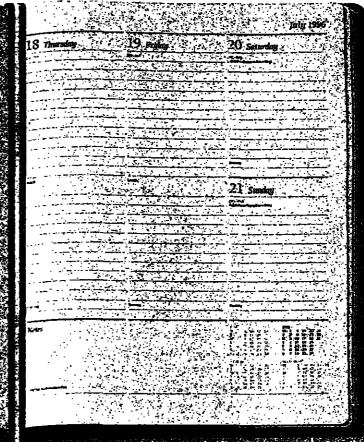


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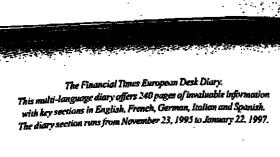
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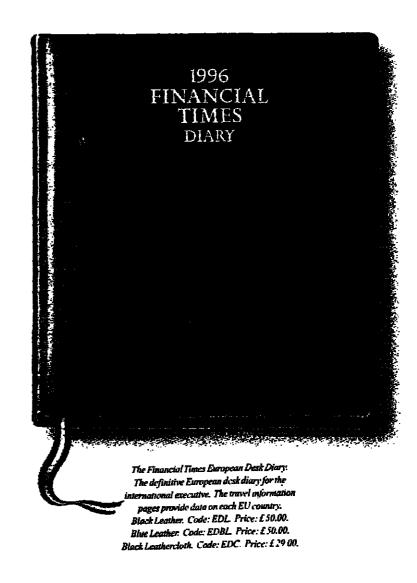


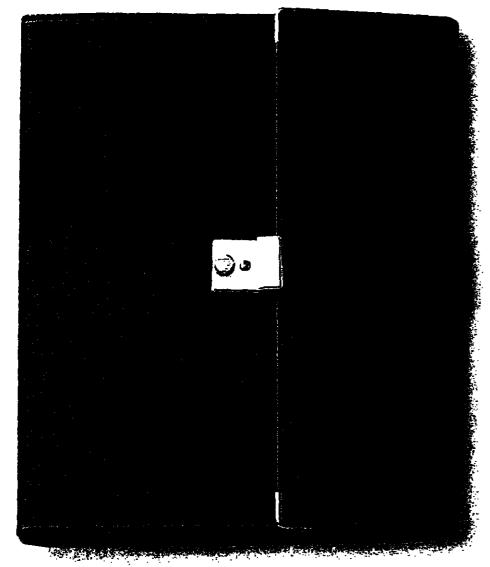
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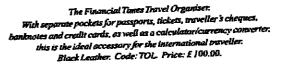






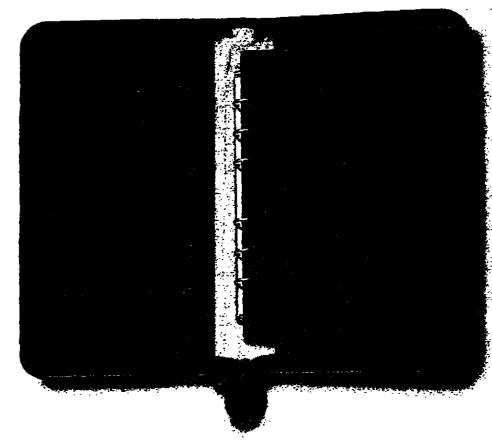


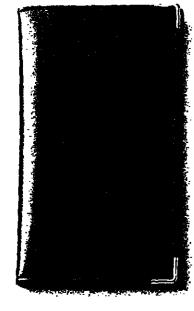
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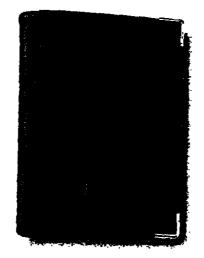
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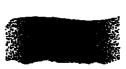
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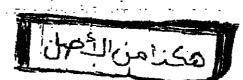
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**FINANCIAL TIMES** 

# **COMPANIES & MARKETS**

THE FINANCIAL TIMES LIMITED 1995

Thursday October 12 1995

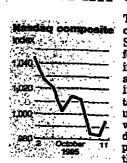
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#### IN BRIEF

## Tech stocks rally on Wall Street



continued to rally on Wall Street yesterday morning. following Tuesday morning's sharp correction, and at 1pm the Nasdaq Composite index, which has a strong technology component, was up 12.67 at 996.14. In Europe, where many equity markets dropped on Tuesday in sympathy with Wall Street,

there was a modest recovery, helped on the continent by a firmer dollar. In London, the FT-SE 100 index regained almost a third of Tuesday's losses but the market remained nervous. London stock exchange, Page 30; World stock markets, Back Page

Roche raises sales 2.5% in third quarter Roche, the world's most highly valued health products group by market capitalisation, reported a 25 per cent rise in sales in the third quarter to SFr3.5bn (\$3bn), as strong growth in pharmaceuticals offset the continuing negative impact of converting foreign revenue into Swiss francs. Page 16

Contest of 'wets' and 'dries' drives Philips The world's men divide rather neatly into two groups, at least for Philips, the Dutch electronics group. There are the "wets", or those who shave with water, shaving cream and a safety razor. And there are the "dries", or men who use an electric shaver. Page 16

FMR Corp cuts Apple stake to 2.5% FMR Corp, the parent of Fidelity Investments of the US, has cut its stake in Apple Computer from 11 per cent to 2.5 per cent in recent weeks, according to a filing with the Securities and Exchange Commission. Page 19

Stet flexes muscles with Bolivia bid The \$1.22bn winning bid by Stet International of Italy for Entel, Bolivia's state telecommunications company, was more than double the offer from runner-up MCI of the US. It marks a new phase in the struggle for positioning in the potentially lucrative Latin American telecoms market. Page 19

Eurotunnel says 1996 will be 'painful' Eurotunnel warned that overcapacity on cross-Channel routes and the continuing price war would make 1996 a "painful year" for both the ferry companies and the troubled tunnel operator. Page 22

Pioneer Goldfields will have a market value of between \$712m and \$787m when the Ghanaian gold mining group floats on the London and Accra stock markets next month. The offer price has been set at between \$9.50 and \$10.50 a share. Page 21

sharp decline in vehicle sales in Mexico. After-tax profits for the Offer values Pioneer Gold at up to \$787m third quarter fell to \$354m on sales of \$12bm, from \$651m on sales of \$11.7bm a year ago. Earnings per fully diluted share were 90 cents, down from \$1.60. The company continued to offer big incentives to shift the

#### Companies in this Issue

ondianes of mis		
 MD	18	ICL
dides	16	Kingtisher
eroscatiale	7	Lloyds Banks
kzo Nobel	22	Lloyds TSB
MOCO		London Electricity
nagen .	22	Marks and Spencer
AT Industries	30	NEC
ank of Boston	19	National Filtration
886	16	New Vanden Bons
lackstone Group	19	North West Water
oeina	7	Norweb
oston Bancorp	18	Nynex
ritish Airways	7	Ostravar
SR	20	Philips
able and Wireless	7	Pioneer Goldfields
adbury Schweppes	30	Polygram
hrvsler	15	RPR
oles Myer	15	Reliance Industries
ommercial Union	30	Renong
rean (James)	22	Roche
elmier-Benz	7	MODIVED DECORDS
avid Jones	20	SGS-Thomson
Merck	16	
ntel	19	Sea Containers
rotunnel	22	
annie Mae	18	
delity Magelian	18	
SOAS	22	Suez
akker	15	Suter
ondiaria.	16	Syncrude
ıfitsu	18	TSB
eneral Electric	16	Texas Energy Parts
obal Aviation	7	Torch Energy
oodyeer Tire	19	Unipelm
alliburton	19	Uunet
artons		Vratislavice
eineken		WPP
M	18	Zlaty Bazant

#### Market Statistics

Annual reports service	26,27	FT-SE Actuaries Indices	3
Benchmark Govt bonds	24	Foreign exchange	2
Bond futures and options	24	Gits prices	2
Bond prices and yields	24	London share service	25,2
Commodities prices	23	Managed funds service	28,2
Dividends announced, UK	21	Money marketa	2
EMS currency rates	25	New inti bond issues	2
Eurobond prices	24	New York share service	32,3
Phoed interest indices	24	Recent Issues, UK	3
FT/S&P-A World Indices	34	Short-term int rates .	2
FT Gold Mines Index	39	US interest rains	2
FTASMA inti bond svc	24	World Stock Markets	3
_			

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Suez, the troubled French financial and industrial holding group, yesterday reported limited details of its strategy as it

against property investments.

Mr Gérard Mestrallet, who was appointed chairman after leading shareholders forced the resignation of his predecessor, Mr Gérard Worms, in July, said Suez had two pillars for the future: Banque Indosuez, the group's bank, and Société Générale de Belgique, the indus-

trial holding group.

He pledged that Suez would break even by the end of this year, and return to profitability in 1996.

for future: Banque Indosuez and SGB

Suez slides to FFr4bn first-half loss

Worms when he unveiled annual losses of FFr4.7bn for 1994 in March, including a FFr7.6bn provision against property loans. Mr Worms said then that the group had

made once and for all provisions on its property portfolio using modified accounting rules designed to take into account all changes ahead of the sale of its investments over the next few years. He also said at the time of his resignation that he was passing on a group that

was poised to generate profits.

However, Mr Mestrallet said that some yesterday's new provisions of

trast sharply with the assurances of Mr Indosuez's remaining property commitments to the Suez holding company, so that the bank could refocus quickly on

The remainder were the result of applying the new accounting rules, which forced additional provisions because of a continued deterioration in the property market, notably in so-called poquebot or large commercial developments in Paris, in which the group had invested heavily.

Suez reported revenues of FFr49.4bn for the first half, compared with FFr63.4bn last time, and operating losses of FFr2.82bn against profits of FFr940m. FFr46m, compared with FFr880m last time, on banking income down 24 per cent to FF15.1bn.

Mr Mestrallet has already begun to make a mark in changing the strategy of the group, including the announcement in September that Banque Indosuez was selling its 75 per cent stake in Gartmore, one

of the UK's largest fund managers. He unveiled some details of his "plan for action" for 1995, which included simplifying the structures of the group and redefining management's role in the bolding

company. Mr Jean-François Lepetit, chairman of Banque Indosuez, said that the bank had made loans of "very slightly more than" FFr1bn to Eurotunnel, the operator of the cross-Channel link, and had taken provisions against two years' interest pay-

# **Fokker** hit by fears over finances

by Wolfgang Münchau in Frankfurt

Shares in Fokker, the loss-making Dutch regional aircraft maker, yesterday lost almost a fifth of their value on the back of speculation about its financial position.

In Amsterdam, the share price fell Fl 1.4, to Fl 6, having touched a low of Fl 5, prompted by speculation that Fokker was seeking protection from its creditors. This was later denied by Fokker, which is majority-owned by Daimler-Benz, the German

industrial group.

The market jitters about Fokker in part reflect uncertainty about a forthcoming cost-cutting drive at Daimler-Benz Aerospace (Dasa), of which Fokker is now part, aimed at restoring profitability through deep production cuts after years of losses. Programme Dolores – which

stands for dollar low-rescue - is to be unveiled this month, and will mark an attempt by Dasa to adjust to a permanently low dollar exchange rate, one of several causes behind the recent difficul-

Losses and loss provisions at Dasa were the main factor behind Daimler-Benz's recently reported DM1.5bn (\$1bn) halfyear loss for 1995.

Fokker yesterday denied speculation circulating on the Amsterdam stock exchange that the company would suspend payments to creditors. "Thanks to a bridging loan from our parent company, Dasa, we are in the position to fulfil our obligations

at least until January 1," it said. The jitters in Amsterdam were reflected to a lesser degree in Frankfurt, where shares in Daimler-Benz fell 0.5 per cent, against a 0.3 per cent rise in the Dax share index.

The pending cost-cuts at Dasa have created a frenzy of speculation in the German media, which features increasingly alarming forecasts about the possible extent of job losses and factory closures at Dasa and reports about internal rifts within Daimler-Benz's top management.

plants are forecast at 10,000-15.000.

Yesterday, the company denied reports that Mr Jürgen Schrempp, the chairman, planned to reshuffle the struc ture of the Daimler-Benz holding company in order to gain more influence at the expense of Mr Helmut Werner, chairman of Mercedes-Benz.

# French financial group sees two pillars

By Andrew Jack in Paris

announced unexpected losses of FFr4bn (\$797m) for the first half of the year, including provisions of more than FFr4bn

However, the results appeared to con-

Chrysler

in third

quarter

released yesterday.

edges back

By Richard Waters in New York

a long way from recovering the

profitability that made 1994 a

the heavy launch costs of its new minivan, higher incentives to

remaining stock of its old mini-

vans, resulting in an average

incentive per vehicle of \$870 dur-ing the three months.

#### FFr4.076bn reflected a transfer of Banque Banque Indosuez reported net income of Banks rise as merger plan set out



Sir Robin Ibbs, Lloyds Bank chairman (left) and Sir Nicholas Goodison, TSB chairman: shares in both banks rose on disclosure of merger details

# Uunet bid values Unipalm at £97m

By Paul Taylor in London

Unnet Technologies, one of the largest US Internet service providers, plans to acquire Unipalm. the UK-based Internet service group in a recommended shareswap deal valued at 450p a share. The proposed deal, worth about

£97m (\$153m) in total, will create tional independent Internet service providers, with operations throughout North America and in more than 24 other countries. It signals the beginning of consolidation in the young and fast growing Internet market, which links an estimated 35m computer users around the globe, providing

The number of independent Internet service providers, who provide customers with connections to the Internet, has proliferated in the past 18 months in response to growing corporate and individual interest in the 'electronic superhighway'

Negotiations between Uunet and Unipalm have been taking place since mid-August when Unipalm, which was floated 19 months ago at 100p, was forced to disclose a bld approach from a then unnamed suitor following a sharp rise in its share price. Two weeks ago, Unipalm

attempted to dampen speculation in its shares, which rose to a high of 600p, by reaffirming talks were continuing which could lead to an offer at 450p a share.

Unipalm's shares closed up 4p at 414p yesterday following details of the bid, while in New York, Uunet's shares were \$1% up at \$40%, in morning trade. Under the terms of the Uunet

offer, the exact number of Unnet shares offered for each Unipalm share will be determined by a complex mechanism based on offset the volatility of high technology stocks.

The US company said it had received undertakings to accept the offer covering 10m shares representing almost 49 per cent of Unipalm's capital. These include large shareholdings held by Mr Peter Dawe, Unipalm's managing director who holds 4.92m shares, Mr Robert Wil-

liams, who resigned as joint managing director earlier this year, and 3i Group which holds a 24.9 per cent stake. Mr John Sidgmore, Uunet's

chief executive, said the offer represented "a major step in the pursuit of Tunet's international expansion plans". At a price of about 450p, the

per cent over the closing price of Unipalm's shares the day before the negotiations were disclosed. Based on Unipalm's pre-tax profits in the year to April 30 of £442,000 on turnover of £17.7m, the offer represents an earnings multiple of 304, highlighting the continuing premium being placed

on Internet related companies.

# Coles Myer plan to restructure disappoints investors

By Nikki Talt in Sydney

Coles Myer, Australia's largest

retailer, yesterday announced plans for a big corporate restruct-

investors and the Coles Myer

management over corporate gov-ernance. The institutions warned

they might seek to replace some

Mr Solomon Lew, the executive

chairman and biggest single shareholder of Coles Myer, has had a controversial stewardship,

with some institutional investors

expressing reservations about the

extent to which the group's sup-

pliers are represented on the

board. Last year saw investor dis-quiet over the board's decision to

use proceeds from the sale of

retail property to fund the

A\$1.26bn (\$960m) buy-back of

more than 21 per cent of Coles's

issued capital owned by Kmart of

The three institutions - the

AMP, Bankers Trust Australia

and the State Super Corporation

said while they supported the

investigation of options for. restructuring Coles, this would

be best "undertaken by a board

which comprises a majority of

independent non-executive direc-

tors and is led by an independent

They said Mr Lew had

"Accordingly, we will propose a

"informed us that his board will

number of independent non-exec-

non-executive chairman".

not support this view".

directors.

the US.

new minivan resulted in 29,000 fewer of the vehicles being sold than a year before. Sales were also hit by the economic crisis in Mexico, resulting in new vehicle sales of only 6,000, compared with 24,000 a year ago. The news came on a day when

The shift to production of the

Jerome York: expected to launch full public attack on Chrysler

Mr Jerome York, an ally of Mr Kirk Kerkorian, Chrysler's biggest shareholder, was expected to make his first full-scale public attack on the company. Mr York has taken the offensive on behalf of Mr Kerkorian in recent weeks in trying to persuade the car and truck maker to distribute more of its cash to shareholders. Chrysler executives repeated

earlier assurances that the comeany would move back on track in the final three months of this year, when it expects production levels to return to near-peak capacity and incentives offered

to buyers to fall.
Mr Gary Valade, the chief financial officer, said that with production of the company's new minivan expected to reach peak capacity late in the year, and additional capacity to build pick-up trucks, the company would be better positioned to meet demand for its most popular vehicles.

Chrysler also said it expected the US economy to continue on its "soft landing" next year, setting the stage for further advances. If total US new vehicle sales bold steady at slightly over 15m next year, "we should be able to make good money", said Mr Valade.

Mr Valade said the company wanted to keep \$1bn-\$1.5bn of cash on hand to give it the flexibility to take on big international joint ventures or other commitments. It will focus on the emerging markets rather than Europe, which is "too mature a market and has great overcapacity already," he added.

the existing directors at the Coles annual general meeting on November 21, or, if necessary, at an extraordinary general meet-

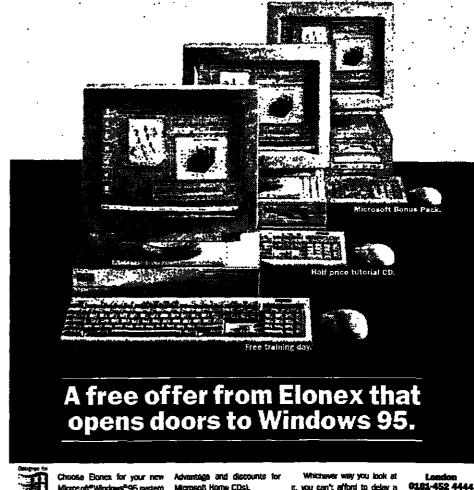
uring which could split various businesses into separate public companies with their own man-The Australian Investment Managers Group, which repre-sents most of the fund manage-ment organisations, backed the However, three big financial institutions called for any trio's stance, saying it believed Coles's restructuring statement restructuring to be overseen by fell short of institutions' requirean independent non-executive ments and was "disappointing". chairman, bringing into the open battle between institutional

The Coles board would prefer to "separate major businesses within the group and create several new public companies with separate management and inde-pendent boards", and then have a further vehicle to hold the group's extensive property interests. Additional options, the board said, would be asset sales, further share buy-backs, and subsidiary public offerings.

Coles covers a wide range of retail interests, from supermarkets to specialty and department stores. These could be spun off as separate quoted entities. The company, which gave few details, said that Smith Barney, the US investment bank, was advising on the scheme.

The board anticipated the pro cess would take about a year to implement. During this time, Mr Lew would step down from executive to non-executive chairman. but "have carriage of the restructuring process". Mr Nick Grenier, one of the

independent non-executive directors, would become joint deputy chairman and have responsibility for all corporate governance matters. Coles also "intends to appoint three new non-affiliated independent directors as soon as possible", the board said.



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#### INTERNATIONAL COMPANIES AND FINANCE

ROCHE: NINE-MONTHS SALES FIGURES

6,810

1,130

# Drug sales put Roche ahead despite currency losses

Vitamins & fine

Roche, the world's most highly valued health products group by market capitalisation, has reported a 2.8 per cent rise in sales in the third quarter to SFr3.51bn (\$3.06bn), as strong growth in pharmaceuticals offset the continuing negative impact of converting foreign revenues into Swiss francs.

The result for the group, led since 1978 by Mr Fritz Gerber, was broadly in line with investors' expectations. The non-voting certificates broke through a resistance barrier and rose SFr145 yesterday to a record

"There has obviously been an acceleration of growth in the third quarter," said Ms Jane Fisken of brokers Williams de Broë in London.

Roche reiterated its August forecast that it would achieve "another increase in consoli-



Fritz Gerber: his company met expectations in third quarter

dated net income for the year as a whole". Net income jumped 15 per cent last year to SFr2.86bn and analysts are expecting it to advance more than 20 per cent this year. Pharmaceutical sales soared 20.4 per cent to SFr2.23bn in the third quarter, a signifi-

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cantly higher rate of growth than the 13 per cent rate achieved in the first half. Roche said sales volumes for all its leading products were ahead. Growth was also boosted by the \$5.3bn acquisi-

tion last year of the US phar-

maceuticals group Syntex,

Non-prescription drug sales in whose figures were consolidated only from November. Roche said the integration of strengthened by branded prod-Syntex was "virtually comnet aconisitions.

Sales of vitamins and fine chemicals were down 1.5 per CellCept, a Syntex-developed drug for use in transplant medcent to SFr771m in the third icine, had been well received quarter, but ahead in local cursince its US launch in June. rencies. Roche said the divi-

1,188

gains with vitamins, carotenoids and fine chemicals, especially in the far east and Latin America.

Sales in the diagnostics division in the third quarter reached SFr159m. No comparative figure, excluding Roche Biomedical Laboratories (RBL). was available. RBL was merged with National Health Laboratories in the US effective on May I, with Roche retaining 49.9 per cent in the merged company.

Roche said the remaining business of diagnostic systems achieved double-digit growth in a generally contracting

Fragrances and flavours ales were down 8 per cent to SFr344m in the third quarter, apparently reflecting seasonal weakness after only a 3 per cent decline in the first six months in Swiss franc terms.

# Share offer boost as SGS-Thomson announces profits

By David Buchan in Paris

SGS-Thomson, the Franco-Italian semiconductor maker. yesterday announced sharply increased third-quarter net profits of \$129m, pushing net earnings for the first nine months of this year to \$358.5m. up 41.5 per cent on the same period last year.

These results will improve the prospects for the 18m share offer which the company has launched on the New York and Paris stock markets, and which is expected to be completed by the end of this month. SGS-Thomson wants to improve its balance sheet, as well as finance heavy capital spending. Last month it announced plans for a FFr4bn plant in southern France to make integrated circuits.

Operating profit rose by 59 per cent in the third quarter to \$166.3m, compared with \$104.4m in the same period last year. The company attributed the improvement to increased sales and earnings from intellectual property, which ana-

ing development. The 40 per cent increase in third quarter sales, to \$913m, was also slightly higher than the 33.7 per cent increase recorded for the first nine months as a whole, in which the company recorded turnover of \$2.58bn.

As a result of the improving trend, research and development expenses of \$109.3m in the third quarter accounted for 11.8 per cent of turnover. That compared with \$83m spent in the same quarter of 1994 (12.7 per cent of turnover). Sales, general and administrative costs were \$103.6m compared with \$81.5m in the third quarter last year.

The share offer will not alter

control by the majority French and Italian state shareholders, which will retain just over 70 per cent of the shares. Of the 18m shares in the offer, 11.7m are to be offered in the US and Canada and 6.3m shares elsewhere. Of these 7.6m will be newly issued, 6.8m will be sold by SGS-Thomson's holding company, and the balance will come from the sale of the stake lysts considered an encourag- sold by Thorn-EMI of the UK. | while they're still young,

# Philips shaves away at the 'wets' rather neatly into two groups, at least for Philips, the Dutch electronics

group. There are the "wets", or those who shave with water, shaving cream and a safety razor. And there are the "dries", or men who use an electric shaver.

The "dries" are responsible for the success of the Philishave electric razor, the bestselling product in the company's history. Fifty-six years after its debut, it has captured 33 per cent of the world's dry shaving market. But the "wets" are also very

important, especially in developing countries. They are the key to future growth, provided, of course, that Philips can convert them to dry shaving. Even bearded men do not escape the attention of Philips' marketing machine: they are

the potential buyers of Philips' line of beard and moustache trimmers. For companies in the shaver market, the struggle for ascendancy between the wets and dries is not unlike an ideological schism, complete with pro-

tal split into rival camps. "It's a basically a systems battle. We try to get to men

paganda campaigns, attempts

at conversion and a fundamen-



Model consumer: Philips wants to convert the world's men

before they start to shave." says Mr Wil van den Berg. managing director of Philips domestic appliances and personal care (DAP) division.

"We also try to get into our camp those men who are not satisfied with their current shaving system." These men are known in industry terminology as "late converters".

mately, however, Philips' main rival is Gillette of the US, the Philips will not confirm analysts' calculations that the dominant company in the Philishave is the most consistently profitable product in the "wet" camp. In Europe. Philips claims a group's portfolio, which

It is clear, however, that the

electric shaver is the crown

jewel at DAP, which, in turn, is

believed to produce some of

the highest and most stable

margins in the entire group.

Although DAP's figures are

buried within the group's

Other Consumer Products sec-

tor, the business, spanning cof-fee machines to hair dryers,

generates annual sales of more

than Fl 3bn (\$1.89bn), with

Philishaves estimated to

That is only 1.6 per cent of group sales of Fl 61bn, but the

shaver's contribution to profits

to the same price erosion as

other consumer equipment.

such as televisions and video-

cassette recorders, the prices of

which continue to fall in spite

Since the first Philips elec-

of the addition of new features.

tric shaver in 1939, more than

300m Philishaves have been

produced. The shaver is based

on rotating shaving heads

rather than an oscillating,

rounded metal foil, as in other brands. In terms of market

competitor, Braun of Germany,

and the two other contenders,

Panasonic of Japan and

Remington of the US. Ulti-

Philishaves are not subject

account for at least Fl 1bn.

is certainly higher.

encompasses light bulbs, medicommanding 50 per cent share cal equipment, compact-disc of the market for electric razors. In the US, where Philiplayers and semiconductors. shaves are sold under the You can assume that the Noreico name, it is a couple of Philishave makes a very important contribution to DAP percentage points higher. and has done so for years," is In spite of the trend in hardall Mr van den Berg will say.

currency countries, such as the Netherlands and Germany, to export jobs and manufacture to low-wage countries, the Philishave continues to be made mainly in the Netherlands.

The shaver factory in Drachten, in the northern Dutch province of Friesland, accounts for more than 90 per cent of annual production of 11m units, most of which are exported.

The rest are produced at a joint venture in China and at a small factory in Japan. In the past two decades. Philips has stopped making shavers in the UK. Spain and Argentina, among other places, and moved production back to the "mother" factory.

Mr van den Berg says: "We have such a heavy structure here and such a high level of know-how it would not seem advisable to change anything." Production in China is aimed

at helping Philips develop the market where wet shaving is still the norm, says Mr van den Berg. "The Chinese market is 6m to 7m electric shavers a year, of which 5m are local. inexpensive machines. If you simply manage to replace those, you're already talking about a million-plus market."

Ronald van de Krol

#### EUROPEAN NEWS DIGEST

# Snecma deficit leaps at halfway stage

Net losses at Snecma, the French state-owned aero engine maker, nearly doubled in the first half from FFr266m to FFr506m (\$102m), it was revealed yesterday. Trade union members leaked the results. The structural nature of the problems of Specma, nearly 98 per cent owned by the French state and theoretically slated for privatisation, was underlined by the fact that total new orders of FFr3.3bn taken in the first half was less than the FFr4.2bn turnover in the same period. Snecma's plight meant, said unions, that it may have to scale down its 25 per cent stake in the joint venture with General Electric of the US on the GE90 engine, and concentrate on developing derivatives of its successful CFM range of motors. Specing management is also pushing for a further 2,500 cut in the workforce by 1998, and plans to move headquarters out of David Buchan, Paris

#### Bass strengthens Czech presence

Bass, the UK's second largest brewer, yesterday strengthened its presence in the Czech beer market by acquiring a controlling interest in two more breweries. The total price is understood to be close to £14m (\$22m). Bass already had about 10 per cent of the Czech market through its 40 per cent holding in Prague Breweries, the country's second largest brewer. The latest deals will take its share to 16 per cent.

It is acquiring 55 per cent of the equity in Vratislavice, one of the top 10 Czech breweries, and 34 per cent of the equity in Ostravar. Bass is also subscribing for a rights issue at Ostravar, which will take its stake to 51 per cent on completion. Bass is to provide management, technical and marketing support to both breweries and to increase production while "carefully preserving the unique character of the beer". It will also assist Vratislavice in developing its soft drinks business. Vincent Boland, Prague, and David Blackwell

#### Heineken acquires Slovak plant Heineken, the Dutch brewer, has acquired a 66 per cent stake in Zlaty Bazant, a brewery and malting plant in Hurbanovo, Slovakia. It has acquired 17 per cent of the shares from the Fund of National Property of the Slovak Republic and the remainder through a share issue by Zlaty Bazant. Financial details were not disclosed. The plant, south-east of Bratislava, has about 600 staff and had 1994 sales of Fl 33m (\$21m). Heineken will extend the brewery's annual production capacity from 670,000 hl to 1m hl and the malting plant's

#### annual capacity from 27,000 tonnes to 60,000 tonnes. The Slovakian beer market is 5m hl a year. AFX News, Amsterdam ICL launches Internet software

ICL, the UK computer company controlled by Fujitsu of Japan is today launching a service it believes will lead to the creation of global academic online libraries. The new service, ICL Commands, being launched at the Frankfurt Book Fair, brings together a range of software to allow flexible charging and deter copyright theft for publications distributed on the Internet. The first big customer for the new service is Academic Press, the scientific and technical publishing arm of Harcourt Brace, the educational publishers.

Mr Mark Berner, of ICL Multimedia Services, said: "The product offers a whole range of management facilities to make the Internet a commercial proposition rather than just giving the information away for free." Subscribers to scientific journals such as those published by Academic Press will be able to get access to journals in the Worldwide Web with passwords which reflect subscription rates paid. The material will have electronic tags which can be detected if the information is passed on electronically to unauthorised users. Watermarks are left both on screen and on any paper copies

Adidas, the German sportswear group, said it would price shares in its initial public offering on November 13, with trading due to start November 17. Roadshows would start on October 26, with visits to Germany, France, the UK Netherlands and Switzerland.

■ Fondiaria, the Italian insurer controlled by Ferfin, said its L557.4bn (\$346m), two-for-five rights issue would to begin on

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# Small drugs group in low-risk revamp E Merck's 25% public offering is true to form, writes Daniel Green

Joachim Langmann should know how much money will be raised on the world's capital markets for the financial reconstruction of E Merck, the German drugs

company he chairs. That is when the company's financial advisers in the DM2bn (\$1.41bn) public offering - Germany's biggest so far - are scheduled to complete the "book-building" stage, the accumulation of promises by institutional investors to buy specified numbers of shares, depending on the final price. The best deals will go to

investors prepared stay for the long term, says Mr Langmann. His reasoning is at least partly a consequence of the company's ownership structure.

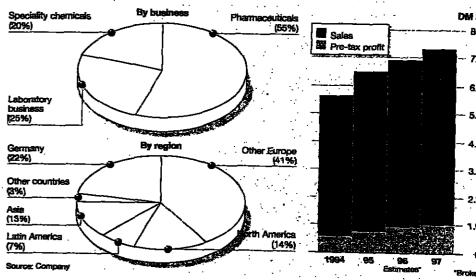
Only 25 per cent of the company is being sold. Control will remain in the hands of the family partners that now run the business, and the family's goals are long term indeed.

"The partners can't get out until at least 2005 and not eas-ily until 2020," says Mr Langmann. "There could be a difference of interests between shareholders and partners. People will realise that the real way to earn in shares is keeping them for 10 or 20 years."

Such words seem more blunt in print than coming from the mouth of the avuncular Mr Langmann. A tall conservatively dressed 71-year-old with flyaway white hair, Mr Langmann combines an informality of manner with the kind of self-discipline that persuades him to swim regularly in the North Sea, "if the temperature is over 16°C".

Such self-discipline not only helps the company keep focused on long term returns, but also provides an anchor that keeps the company's dis-parate activities together. E Merck is not only a medi-

cines company. It is one of the world's biggest providers of liquid crystal technology as well as making materials for the cosmetics industry, pigments, laboratory products, and medical diagnostic equip-ment. The unusual mix of busiE Merck: Germany's biggest initial public offering



nesses will need to be reflected in the eventual price.
So too will the sluggish growth of the drugs side, which accounted for 55 per

cent of 1994 sales of DM5.7bn. Between 1993 and 1994 the division's sales grew less than 1 per cent. Germany, which has badly hit by government efforts to control drug spending, accounts for 22 per cent of turnover. The rest of Europe generates a further 41 per cent. The division also suffers from lack of focus: there are seven businesses, ranging from the manufacture of low-margin generic drugs, through X-ray contrast media - materials that when injected into the body make X-ray images

medicines such as a drug designed to cut alcoholics' craving for drink. Such diversity would be a handful for the world's biggest drugs companies, and E Merck was only 38th on the list in 1994, says a report from Scrip,

clearer - to advanced new

an industry newsletter. Mr Langmann is unconcerned. "We have always been a medium-sized company. It's not a problem," he shrugs. He will not be tempted into dealmaking by the \$60bn-plus wave of mergers and acquisitions

that has swept the drugs sector in the past two years, even though many of those deals were driven by the desire for economies of scale,

Research and development spending, for example, is almost \$500m at E Merck. That level of spending "is enough for us", says Mr Langmann. However, industry-wide, \$1bn a year is often cited as a minimum to ensure a flow of inno-

vative new products.
He does concede that economies of scale will play a role in the fate of the company's diagnostics operation. "It is too small," he says. Selling all or part of it is "a real possibility", or it may be put into a partnership with another company.

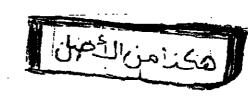
Such small moves are typical of E Merck. The reason for the cash raising exercise is not to fund a big deal that transforms the com-pany, but to repair the balance sheet after 20 acquisitions or partial acquisitions since 1991. At the end of last year, the group had net debt of DM2.6bn, interest charges of almost DM200m and net cash outflow of about DM900m. A combination of share offer and cashflow should cut net debt to DM800m by 1997, say analysts.

Further deals are likely because of the company's bias towards European sales, but the solution once again is likely to be small steps. "We will be able to develop our own products [into new markets]," says Mr Langmann. "We are building up our US position."

The company is weak in Japan but plans to license its products there. "This is a strategy for a company of our size which is not very risky," he says. Nor is it particularly rewarding, say analysts.

The history of E Merck in its 31 years under Mr Langmann has been characterised by cautious growth. Rivals may have moved faster. Some have been more focused, and some have

The company's decision to raise cash using bookbuilding may not have been an accident. Bookbuilding is recog-nised in corporate financial circles as appealing more to long term shareholders than the traditional public offering, in which the shares are priced to ensure oversubscription and often attract short term investors. In E Merck's case, this is just as well. The company seems unlikely to be an attractive proposition for short term



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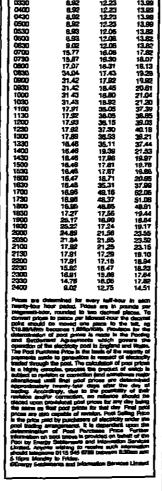
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# 

#### The price being paid by Unnet for Cambridge-based for individuals. As well as providing dial-up Unipalm - although somewhat below the wildest estimates siasm for the relatively few Internet stocks in the wake of Netscape Communications' spectacular debut on Nasdaq vice providers' market has become increasingly competitive over the past 18 months, leading many analysts to prethe cellular telephone and service packages. Similarly, existing commer-cial consumer online informain the Internet in recent years

end April. Unipalm's software

In the UK, there are now sev-Share prices relative to their

and dedicated leased-line telecommunications links to the Internet, the larger of these service providers - including Unipalm and Uunet - also provide corporate customers with range of other services. including consultancy. More recently, the surge of commer-

cial interest in the Internet has attracted the attention of the main telecoms carriers such as American Telephone & Telegraph in the US and British Telecommunications, which has recently launched Internet

tion service companies such as CompuServe America On-Line and Prodigy have been scrambling to launch their own Internet services in a bid to grow their customer base. However, relatively few companies are making money out of the Internet. For example, Unipalm reported pre-tax profits of just £442,000 (\$697,299) on turnover of £17.7m in the year to

eral dozen service providers, ranging from small hobbyist operations to large commercial outfits. These includes Pipex. which has more than 780 corporate customers, up from 200 16 months ago, and Demon Internet, one of the pioneers of cut-price Internet connections

INTERNATIONAL COMPANIES AND FINANCE

AMD hit by decline in chip sales

the same period last year.
Last month AMD warned

that its earnings would be lower than expected due to a

decline in revenues from its

486 microprocessors, which

have been overtaken by fifth-

generation Pentium chips from

Analysts, who had been proj-

ecting third-quarter earnings

of about \$1.01 a share, lowered

their estimates to about 67 cents. The results were, how-

ever, far worse than even the most pessimistic projections. AMD said 486 microprocessor

unit shipments were flat and

prices fell sharply as it tried to

Intel, the market leader.

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distribution accounted for £14m of business and made £1.53m in profits, while Pipex, which offers the Internet connection, incurred a loss of £1.09m on turnover of £3.76m. The Pipex losses - and the deal with Uunet - reflect Unipalm's strategy of going for growth. 'We always knew that we needed to be global and that it was all about volume and scale," says Mr Christopher Batterham, Unipalm finance

Accordingly, Unipalm, which also sells a range of networking and Internet software, has already extended its international presence, and Pipex service is available in 24 countries including many in Europe and

Africa. In America, Uunet, which but many of our customers depleted 486 inventories in the third quarter as the transition to fifth-generation microprocessor-based systems pro-ceeds," said Mr Sanders.

However, the PC industry is shifting rapidly to higher per-formance Intel Pentium chips AMD said sales of its other products, led by flash memory. communications and programmable logic chips recorded strong sales gains, up about 40 per cent over the same period last year. For the year to date, AMD reported revenues of \$1.84bn, up 16 per cent on the same period last year. Net income was \$244.9m, or \$2.29, against \$256.7m, or \$2.54, for the first nine months of 1994.

access service provider. It now

professional accounts, many of them large US businesses.

By the end of this year, the

company aims to provide local dial-up access to the Internet

in 230 cities in the US and else-

where, and the goal is to raise

the total to more than 300

cities by the end of next year.

ture includes an advanced high speed asynchronous transfer

Uunet's network infrastruc-

## Internet providers come of age first commercial internet

encourage continued use of the chips by personal computer

and AMD has fallen behind.

Although the company is developing Pentium-class chips, these are not expected to

be available until next year. It

was unlikely that AMD micro-

processor revenue growth would resume until these new devices were available, said Mr

W.J. Sanders III, AMD chair-

man and chief executive.

"We believe the personal

computer market is healthy

mode (ATM) network back-The company went public in May at an offering price of \$14. For the first half of this year it reported revenues of \$16.9m, up from \$5.1m in the same period a year ago. Net losses for the first balf were \$1.4m. compared with a net deficit of

\$2.5m in the first half of 1994. Earlier this year, the com-pany sold a 15 per cent stake to Microsoft. Unnet also entered into an agreement to build the infrastructure for the software group's new online service, Microsoft Network. Uunet's acquisition of the UK company will help it carry out this over-

seas element of this project. Yesterday the company said the acquisition represented the "first building block" of a European expansion.

> Louise Kehoe and Paul Taylor

# Fidelity Magellan trims weighting in technology

By Louise Keho in San Francisco

Advanced Micro Devices, the

US semiconductor manufac-

turer, reported sharply lower

well below Wall Street projec-tions, as sales of its micropro-

Sales for the quarter were

\$590.4m, up 9 per cent from the same period last year when sales were \$543.1m. Net income

for the period was \$56.2m, a decline of 33 per cent from \$84.1m in the third quarter of

1994. Net income per share was 52 cents against 83 cents in

he planned acquisition of Unipalm, the UK's

leading commercial internet service provider, by

unner rechnologies, its coun-terpart in the US, signals that the fast-paced Internet service provider market is beginning

confirms the continuing enthu-

However, the Internet ser-

dict an early shake out similar

to those which have reshaped

other emerging technology-

Analysts believe many of the

smaller Internet service provid-

ers will be forced to merge

with larger businesses because

of the costs involved in build-

The rapid growth of interest

has spawned dozens of service

providers on both sides of the

Atlantic, including some which

simply repackage capacity

bought from the main Internet

service suppliers, such as Uni-

palm's Pipex subsidiary.

based service industries.

ing market share.

earlier this summer.

to mature.

earnings for the third quarter,

Fidelity Magellan, the mutual this year. fund, trimmed its weighting in the technology sector in August, new figures show. Its heavy weighting in technology stocks has helped it to a more than 40 per cent rise in assets so far in 1995.

From a 45.1 per cent weighting in technology stocks at the end of May, the weighting dropped to 41.9 per cent by the end of August. In Tuesday's slump in technology stocks the fund's net asset value dropped \$1.3bn to \$50.1bn.

There have also been big shifts in the rankings of the top 10 holdings in August, with IBM dropping from first place to fifth and General Motors falling from second to ninth. while Chrysler rose from sixth to second.

The Magellan fund, managed by Mr Jeff Vinik, has been a high-profile investor in the

technology sector which has weighting of the sector in the

However, the sector has come under pressure in recent weeks as analysts' expectations for earnings growth have raced ahead of the companies' ability to produce rapidly ris-

Rumours that Mr Vinik

After peaking at 45.1 per cent which at three times the

ing profits.

could be selling technology stocks have unsettled the market. However, Fidelity never comments on its portfolio strategy and it is only when it publishes monthly figures on its funds that analysts can attempt to deduce what a fund has done.

Mr Vinik's fund started 1995 with 37.4 per cent of its then \$36.4bn of assets in the sector. With the rise in the market and new money flooding into the fund, its assets have risen to more than \$50bn.

led the US stock market higher S&P500 index, represents a weighting drifted lower over the summer.

At the end of August the proportion of assets held in cash had risen to 3.1 per cent, up from 1.9 per cent at the end of July. This suggests that Mr Vinik was less enthusiastic on the technology sector in the

month, although it does not appear that major selling took Of the top 10 stocks, seven of those on the list at the end of May are still there.

Intel fell out of the top 10 in July and Texas Instruments dropped out in August replaced by Columbia-HCA which came in at tenth.

Micron Technology moved up from third to first. Caterpillar, a cyclical stock, rose from 10th place at the end of June to fourth at the end of August.

# FMR Corp • cuts stake in Apple

FMR Corp. the parent of Fidelity Investments, has cut technology stocks - the from 11 per cent to 2.5 per cent in recent weeks, according to a filing with the Securities and Exchange Commis-

sion, writes Maggie Urry. This is a further sign that the Fidelity mutual fund management group is cutting its weightings in technology

Apple has disappointed the market this year, plagued by production problems on its personal computers and fading hopes of a takeover.

The SEC filing showed that FMR's holding in Apple had fallen from 13.29m shares reported on July 7, to 3.08m

Apple's shares were up \$2 in early trading yesterday at \$34%, barely above their year's low of \$33%. The shares' high for the year was

# Fannie Mae ahead for third quarter

provider of mortgage funds in the US, earned a record \$597m in the third quarter, up 10 per cent on the \$543m made in the same quarter of 1994. Earnings per share rose from \$1.98 to \$2.17, writes Maggie Urry.

The company, which borrows in the capital markets to buy mortgages from lenders, lifted net interest income from \$728m in the third quarter of 1994 to \$778m, reflecting a rise in the mortgage portfolio from \$214bn to \$240bn. Although the spread between

the interest rate it pays and the rate it receives was tighter in the latest quarter, at 117 basis points compared with 125 basis points a year ago, it was higher than the 113 basis

Fannie Mae, the largest points made in the second quarter of 1995. There was a slight rise in

same period a year ago. Foreclosures fell, with 3,450

guaranty fee income, fees earned when Fannie Mae guar-antees the payment of mort-gages which it packages as security to back bond issues. These climbed to \$272m from \$267m in the second quarter. The figure was flat against the

homes repossessed against 3,557 in the same period last year. As a result, the costs of foreclosures and loan losses fell from \$93.3m to \$81.7m yearon-year. For the first nine months, net income was up 10 per cent from \$1.58bn to \$1.74bn; earnings per share went from \$5.75 to \$6.31.

reached agreement to acquire all of Rodven Records of Vene-zuela for \$57m, AFX News reports from Amsterdam. Based in Caracas, Rodven is Latin America's largest inde-

pendent record business.
The purchase will increase PolyGram's share of the \$2bn Latin American music market to 16 per cent from 13.5 per

It will also double Poly-Gram's share of the Hispanic music market in the US, and significantly increase its business in Colombia, PolyGram said

Rodven was established in 1980 and has subsidiaries in Colombia, Mexico and the US.

Venezuelan purchase PolyGram's Miami-based unit It is currently owned by its PolyGram Latin America has founders, Mr Rodolfo Rodriguez-Miranda and the Cisneros

PolyGram arm agrees

Mr Rodriguez-Miranda will act as consultant to PolyGram Latin America for one year, PolyGram said.

Rodven's assets in Colombia. Mexico and the US will be integrated into PolyGram's existing operations under local management, while a new PolyGram subsidiary will be established in Venezuela. This will be PolyGram's seventh in Latin America.

Mr Carlos Sanchez, Rodven Colombia managing director, will be appointed managing director of the new Poly-Gram Venezuela, PolyGram

# Nynex and IBM to develop joint network

Nynex, the US telecoms group, and International Business Machines are to jointly develop a computing network aimed at the business market, that car-ries voice, data, image and video to the desktop, Reuter reports from New York.

Newbridge Networks Corp will work with Nynex to enhance the business services. As part of the deal, Bell Atlantic, the US telecoms company, and Nynex will intro-duce a high-speed data channel

linking businesses in New York City and northern New Jersey from early 1996. Pacific Telesis, another telecoms group, and Nynex will work on a similar link.

The alliances announced as part of Nynex's strategy, called impower, which includes local area networks, shared software, messaging, Internet access, applica-tions software accessible from the network, and systems integration to manage this for cus-

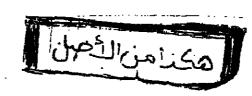
tomers. Nynex will provide the network components that will allow asynchronous transfer mode (ATM) technology to be used. ATM is an emerging standard for rapid data and broadband transmission over

coaxial cable and fibreoptics. But with legislation opening up more of its markets. Nynex has deeper aims through its alliance.

"Nynex must aggressively enter new markets through information technology alliances that provide abilities our customers are asking for," said Mr Ward McKenzie, Nynex vice-president for business net-

Analysts have noted that companies such as MFS Com-munications have successfully poached some of Nyner's most precious Manhattan business clients by focusing on data net-

They see the latest deal as giving Nynex a powerful capability to strike back.



#### INTERNATIONAL COMPANIES AND FINANCE

# The Latin American connection

Stet International is nurturing a strategic presence, writes Sally Bowen

The aggressive winning bid by Stet International of Italy for Entel, Bolivia's state telecommunications company, provides a boost for the government's ambitious capitalisation programme. It also marks a new phase in the struggle for position in the potentially lucrative Latin American telecoms market.

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Bolivia could be viewed as something of a consolation prize for Stet in its quest for international expansion: the Italian company has recently lost bids in both Hungary and Czechoslovakia.

Latin America, however, looks more promising for the state-controlled enterprise which is itself set for privatisa-

Stet has an important stake in Telecom Argentina and, through its subsidiary Telecom Italia, in Chile's VTR Telecommunications. Most recently, Stet lodged the highest bid for the 20 per cent private placement of Entel Chile shares.

Analysts say that, with its Bolivian acquisition, Stet is strategically positioned in the geographical centre of Latin America, with all the advantages that implies for satellite communication and fibre optic links.

It could also emerge as an important player in the forthcoming privatisation of the vast Brazilian telephone

Stet's bid valued Bolivia's Entel at \$1.22bn and was more than double the offer from runner-up MCI of the US. "It was certainly a very good bid, but within our expectations and projections," said Mr Doyle

**Bolivian telecommunications** Telephone lines Urban telephone m service density\* Lines per 100 households 83,000 LA PARTY 60,000 "Santa times." 33,000 Societies and a

- Que

Bolivian partner lined up in Mr

respected former minister who

set up the country's first cellu-

lar operation. He is expected to

take a key minority stake in

MCI, offered only half as

much," said Salomon Brothers

in an assessment of the pur-

chase. It calculated the price at

3.1 times 1996 pro forma reve-

nue and 6.6 times operating

or its \$610m, Stet acquires a six-year

concession over long-distance

and international services, plus

cellular, paging and cable licences. Distorted rates will be

adjusted. In return, Stet is con-

tractually bound to improve

Bolivia's level of telephone

est in Latin America with

around four lines per 100

Stet is committed to dou-

or its \$610m. Stet

monopoly and a 40-year

the new company.

cash flow.

inhabitants.

Gallegos, senior adviser to Bolivia's capitalisation ministry for the Entel transfer.

7,250

Entel's gross revenues in 1994 were \$116m; net earnings before exceptionals were \$30.5m.

Telefónica de España, widely expected to be a strong contender, disappointed Bolivian officials with an offer of just \$162.5m. Telefónica has built up a strong presence in Latin America in the past couple of year's subminating in last year's \$2bn purchase of a 35 per cent controlling stake in Pern's telecommunications sec-

Stet's bid was almost as far ahead of rival offers as Telefonica's for the Peruvian telecoms in February 1994. Stet clearly placed a higher value on Bolivian potential than did rival bid-The Italians may also have been less nervous than other

Bolivian telephone co-operatives, which handle local services.
Stet has a strong and agile

potential partners over possi-bly tortuous relations with the

service, and providing telephones for every community of 300 inhabitants or more. Installation and repair time are also to be substantially reduced.

Analysts expect rapid postcapitalisation expansion in both fixed-line and cellular services. Demand for telephones has consistently outstripped GDP growth which, in Bolivia, has been a steady 4 per cent for the past decade.

Stet's offer came under the Bolivian government's idiosyncratic capitalisation pro-

Unlike standard privatisa-Fernando Campero, a tion procedures which give a one-time boost to treasury revenues, six of Bolivia's leading state companies have been offered to "strategic partners". These pledge investment "The purchase price looks attractive for Stet even though the second highest bidder, equivalent to the value of 50 per cent of the new company. The Entel capitalisation is

the second in a series of six. Three power generation companies were capitalised in June for a total of \$145m. Next on the timetable is state airline Lloyd Aereo Boli-

viano (Lab), to be followed by Enfe, the state railway, the Vinto smelter complex and the most glittering prize - oil and gas company YPFB. So far, capitalisation has

raised some \$760m. The programme is due to be completed by the end of next year. Existing shares in each of

the capitalised companies will be deposited in pension funds penetration, currently the lowin the individual names of all adult Bolivians, probably during 1996. A restricted number of companies will be authorised to provide fund manage bling the 243,000 access lines in ment services.

#### AMERICAS NEWS DIGEST

# Halliburton spins off insurance unit

Halliburton, the US cilfield services company, plans to spin off its Highlands Insurance Group unit to shareholders by the end

It will distribute to its shareholders one Highlands common share for every 10 Halliburton common shares held. The

distribution dates will be set later this year. Halliburton and Highlands have entered into definitive agreements with Insurance Partners L. P., a private investment group. Insurance Partners and Highlands management will invest \$60m in Highlands on completion of the spin-off, in exchange for debentures and warrants. These will allow <u>Insurance</u> Partners to acquire up to about 43 per cent of Highlands common shares for about \$130m. Halliburton will not receive a cash dividend or securities from

Highlands in connection with the deal. When the spin-off is completed, Mr Richard Haverland will become chairman and chief executive of Highlands. He has more than 25 years of insurance industry experience. The spin-off of Highlands will complete Halliburton's divestiture of its insurance services business segment. A life insurance company was sold in 1988, and a healthcare management company was sold in 1992.

#### Alberta's Syncrude stake sold

Torch Energy Advisors of Houston, Texas, has bought the Alberta government's 11.7 per cent stake in Syncrude, the world's biggest synthetic oil producer, for C\$352m (US\$263m). Torch will finance the deal – which will leave the Alberta government with no equity in Syncrude - by raising C\$265m. partly from the markets.

Syncrude supplies about 12 per cent of Canada's domestic crude oil market. It strip-mines oil sands in northern Alberta and extracts and processes bitumen into oil for use in an Edmonton refinery. The company is profitable at current low oil prices, and plans to expand production from 190,000 barrels

a day to 217,000 barrels. Torch is headed by Texas financier Mr J. P. Byan, who also owns 25 per cent of Gulf Canada. Gulf already owns 9 per cent of Syncrude, while Imperial Oil (Exxon) has a 25 per cent stake. Petro-Canada has 12 per cent and Murphy Oil of the US, 5 per cent. The 11.7 per cent Syncrude stake will be rolled into Athabasca Oil Sands Trust, which will make the public offer of special units. Gulf Canada will buy 20m units for about C\$200m. The balance will be sold to the public. Robert Gibbens, Montreal

#### Goodyear steady for third term

Goodyear Tire & Rubber expects third-quarter net income of between \$153m and \$159m, or \$1.01 to \$1.04 a share, compared with \$151.3m, or \$1, a year earlier. The US tyre company said its third-quarter sales should exceed \$3.2bn, against \$3.12bn in the 1994 period.

It said its results reflected continued strength in Europe and reductions in selling, administrative and general expenses. AP-DJ. Akron. Ohio

#### Bank of Boston acquisition

Bank of Boston is to acquire Boston Bancorp and its South Boston Savings Bank subsidiary for about \$40m more than the adjusted net book value. The purchase price will be paid in Bank of Boston common stock, valued at the time of closing, the company said.

The companies estimate that Boston Bancorp shareholders may receive between \$39.50 and \$42.50 a share of Bank of

Harrisons & Crosfield plc 71/2% Subordinated Convertible Bonds due 2003 (the Bonds)

Notice of Early Redemption £66,271,000

Notice is hereby given in accordance with the Redemption and Purchase Condition 5(b) of the Bonds that the Company is exercising its option to redeem all the outstanding Bonds on 21 November 1995 (the "Redemption Date") payable 21 November 1995 at their principal amount, with accrued interest to the Redemption Date. Payment of the Redemption Amount, together with the Instrect due, will be made on or other the Redemption Date against presentation and surrender of the Bonds at the office of the Principal Paying Agents presentation and surrender of the Bonds at the office of the Principal Paying Agent or of any of the Paying Agents listed below. Bonds must be presented for payment opather with all unmabured Coupons. Bonds and Coupons will become void unless presented for payment within periods of 10 years and 5 years respectively from the Relevant Date (as defined in Condition 6 of the Bonds). The issing of the Bonds on the Official List of the London Stock Exchange will be cancelled with effect from the close of business on 21 November 1995.

The right to convert the Bonds into ordinary shares of 25p each in Harrisons a Crosfield pic "Ordinary Shares") will terminate at the close of business on 13 November 1935, being the eighth day prior to the Redemption Date. No payment or adjustment shall be made on conversion for interest accrued on any Bond since

The right of conversion attaching to any Bond may be examised by the holder delivering the Bond and the unmatured Coupons accompanied by a duly completed notice of conversion, in accordance with the provisions of Condition 7 of the Bonds, at the office of any of the Conversion Agents specified below on or better 13 Neuromber 1995.

The London Stock Exchange has granted permission for the Ordinary Shares arising or conversion to be admitted to the Official List, subject to allotment. Such shares will be issued credited as fully paid and will rank part passu with the edisting Ordinary Shares save that in accordance with Condition 7(a) of the Bonds the Ordinary Shares issued on such conversion will not rank for the interim dividend of Hartsons & Crosfield pic which has been declared for payment on 11 December 1995.

PRINCIPAL PAYING AND CONVERSION AGENT The Chase Menhattan Bank, N.A. Woolgate House, Coleman Street, London EC2P 2HD

PAYING AND CONVERSION AGENTS Chese Manhetten Bank Luxembourg S.A. Chese Manhetten Bank (Switzerland) 5 Rue Plastis, L-2338 Luxembourg Grund 53 Rue du Phône, CH-1204 Geneva Banque Bruxelles Lembert S.A. 24 Avenue Marrix, B-1050 Brussels

12 October 1995

CHASE

# ABBEY NATIONAL

Abdij Nationaal First Capital B.V. (Incorporated in The Netherlands; statutory seat; The Hague)

U.S. \$100,000.000

Subordinated Guaranteed Floating Rate Notes Due 2003

For the Interest Period 11th October, 1995 to 11th April, 1996, the Notes will carry an Interest Rate of 5.79297% per annum, the Coupon Amount payable per U.S. \$1,000 Note will be U.S. \$29.45 and for the U.S. \$10,000 Note, U.S. \$294.48, and for the U.S. \$100,000 Note, U.S. \$2,944.76, psyable on 11th April, 1996. Lasted on the London Stock Exchange.

Bankers Trust Company,London

Agent Bank

#### FIVE ARROWS ASIAN GROWTH FUND

2, boulevard Royal, Luxembourg DIVIDEND ANNOUNCEMENT FIVE ARROWS ASIAN GROWTH FUND will pay a dividend of USD 0.10 on October 19, 1995.

Shares will be traded ex-dividend on October 12, 1995.

The dividend is payable to holders of bearer shares against presentation of coupon no 6 to: BANQUE INTERNATIONALE A LUXEMBOURG - 69, route d'Esch, L-1470 LUXEMBOURG, GRAND DUCHY OF LUXEMBOURG.

The Board of Directors of FIVES ARROWS MANAGEMENT S.A. Societé Anonyme

# Sea Containers' new deal | Blackstone extends links

By Mark Ashurst

Containers, Bermuda-based leisure, ferry and container leasing group, has acquired a 19.9 per cent stake in the Charleston Center, North Carolina. The property, acquired for an undisclosed sum, is the second purchase in a \$60m investment programme for the leisure division.

Last month, Sea Containers acquired New York's celebrated 21 Club, a former speakeasy once favoured by F Scott Venice.

Fitzgerald and famed for its power lunches. The Charleston Center comprises the 440-room Charleston Palace hotel and shopping complex. Mr James Sherwood, president of Sea Containers, estimated turnover at about \$30m. He said the group would upgrade the four-

star hotel. It would be managed by Orient Express Hotels, a whollyowned subsidiary of Sea Containers whose properties include the Hotel Cipriani in

Blackstone Group, the US

agreed to form an alliance to provide advice on the increasingly frequent cross-border mergers and acquisitions involving companies in the US and Nordic countries.

Enskilda joins institutions rities trading.

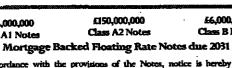
such as Nikko Securities of Japan, Hambro Magan of the UK, Banque Indosuez of France and Sal. Oppenheim of Ger-many, which have linked with Blackstone to handle cross-bor-

£144,000,000

Class A1 Notes

£150,000,000 Class A2 Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 10th October 1995 to 10th January 1996, the 7.0125%, 7.2125% and 8.0125% per annum respectively. The innerest payable per £100,000 Note will be £1,134.00 for the Class Al Notes,



£1,812.98 for the Class A2 Notes and £2,014.07 for the Class B Notes.

# corporate finance boutique, has extended its international

By Nicholas Dentor

network through an alliance with Skandinaviska Enskilda Banken, the Swedish bank. The two institutions have

der transactions.

Blackstone, and a few other

loose international alliances, such as the three houses which make up Lazards, have stood aside from the global trend towards integrated institutions which cover a wide area of es from M&A to secu-

Simply apply to your Bloomberg terminal.

# **LOTHBURY**

Class Al Notes, Class A2 Notes and Class B Notes will carry an interest rate of

#### Société d'Investissement à Capital Variable Kansallis Honse Lothbury Funding No.1PLC Place de l'Etoile L-1921 Luxembourg 46,000,000 Class B Note DIVIDEND NOTICE

At the Annual General Meeting held on September 26, 1995 it was decided to pay a dividend of USD 0.24 (cents) per share on or after October 24, 1995 to shareholders of record on October 3, 1995 and to holders of bearer shares upon presentation of coupon no 21.

FIDELITY WORLD FUND

43, boulevard Royal L-2955 Luxembourg



Investments

#### USD 10,000,000,000 EURO MEDIUM TERM NOTE OF SOCIETE GENERALE SOCIETE GENERALE ACCEPTANCE NY AND SOCIETE GENERALE AUSTRALIA LIMITED SERIE Nº 137/94/10, TR1 SOCIETE GENERALE ACCEPTANCE NV USD 75,000,000 ZERO COLPON LATIN AMERICAN EMERGING NOTES DUE 13TH, OCTOBER 1995

ISIN CODE : XS0053359815 Notice is hereby given to the Noteholders that the Final Redemption Amount applicable upon redemption of each note is : USD 100,000 per denomination of USD 100,000 Payment of Principal is made on October 13th, 1995 in accordance with Condition 6 "Payment" of the Terms and

Conditions of the Notes. The Principal Paying Agent
SOGENAL - SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG



#### U.S. \$200,000,000

American Express Bank Ltd. Roating Rate Subordinated Capital Notes Due 1999

Notice is hereby given that for the Interest Period 13th October, 1995 to 19th January, 1996 the Notes will beer interest at the rate of 64% per annum. The Interest psychie on 16th January, 1996 against Coupon No. 35 will be U.S. \$189.98 per U.S. \$10,000 Normal and U.S. \$3,998.57 per U.S. \$250,000 Normal. DATED THIS 12TH DAY OF OCTOBER, 1995.



**ANZ**Bank

Principal Paying Agent ROYAL BANK OF CANADA EUROPE LIMITED

CREDIT COMMERCIAL DE FRANCE FRE 3,500,000,000
FLOATING RATE NOTES DUE 1996 ISIN CODE : XS0047995

For the period October 11, 1895 to January 11, 1896 the new rate has been fixed at 7,21875 % P.A. Next payment date : January 11, 1996 Coupon nr : 8 Amount:
FRF 184.48 for the denomination of FRF 10 000
FRF 1 844,79 for the denomination of FRF 10 000
FRF 18 447,92 for the denomination of FRF 1 000 000 THE PRINCIPAL PAYING AGENT SOGENAL SOCETE GENERALE GROUP Avenue Emile Reuter - LUXEMBOURG

Interior Period in a Center will carry 11th January, 1996, the Nases will carry a Rater of Interior of 6,0375 per cent-per annum with no Amajour of Interior of U.S. \$154,29 per U.S. \$30,000 Note and U.S. \$3,542,92 per U.S. \$100,000 Note. The relevant Interior Psymetit Note, The relevant interest P Date will be 11th January, 1996. lated on the Luxenbourg Stock Exc Bankers Trust Company, London Agent Bat

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tralia and New Zealar **Banking Group Limited** U.S. \$250,000,000 pating Rate Notes due 1998 tice is hereby given that for the ener Period 11th October, 1995 to

Reliance

**Industries** 

ahead 33%

at halfway

Reliance Industries, India's

largest private sector company, registered a 33 per cent increase in net profit from Rs4.77pm to Rs6.23bn (\$187m)

in the first six months to Sep-

The textiles and petrochemi-

cals conglomerate said sales increased 20 per cent from

Rs32.94bn at last year's

interim stage to Rs39.66bn

By Shiraz Sidhva

kı New Delhi

tember 30.

Südwestdeutsche Landesbank Capital Markets plc (Incorporated in England and Wales)

DM 500,000,000

51/2% DEUTSCHE MARK BEARER BONDS OF 1995/1999

guaranteed hy

Südwestdeutsche Landesbank Girozentrale (Established in the Federal Republic of Germany)

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WGZ-Bank

Südwestdeutsche Landesbank Girozentrale

This announcement appears as a matter of record only

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Westdeutsche Landesbank Girozentrale

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Bayerische Vereinsbank AG

Caisse des dépôts et consignations GmbH

Goldman, Sachs & Co. oHG

industriebank von Japan (Deutschland)

Landesbank Rheinland-Pfalz -Girozentrale-

Landesbank Schleswig-Holstein Girozentrale Merrill Lynch Bank AG

Morgan Stanley Bank AG

Schweizerische Bankgesellschaft

(Deutschland) AG SGZ-Bank

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ABN·AMRO HOARE GOVETT

#### **CONTRACTS & TENDERS**

#### REPUBLIC OF VENEZUELA MODERNIZATION OF THE JUDICIAL SECTOR INVITATION FOR THE EXPRESSION OF INTEREST

The Consejo de la Judicatura of the Republic of Venezuela has received a loan from the World Bank (US\$30 million equivalent) to finance the procurement of goods and services under Judicial Infrastructure Project No. 3514-VE The fundamental objectives of the project are to reduce the social and private costs and improve the management and efficiency of the Venezuelan Judicial System. The project has four components: (a) institutional modernization of the Consejo de la Judicatura; (b) modernization of the administration of the courts; (c) strengthening of the Judicial School; and (d) construction and rehabilitation of judicial buildings. The components (a), (b), and (c) are being financed by both the Government of Venezuela and the World Bank, while component (d) is being fully financed by the Government of Venezuela.

The purpose of this announcement is to solicit institutions and organizations of eligible member countries of the World Bank and consulting firms and individual consultants, both national and international, that have experience in the diagnostics, design, implementation, and evaluation of judicial systems and the modernization of the judicial sector, and who are interested in being included in the corresponding selection process. Based on the information received, the Consejo de la Judicatura will prepare one or more short lists of applicants that will be invited to present proposals. The letter of invitation will include the terms of reference, contractual conditions and the contract form.

The areas of consultancies may include the following:

 judicial sector policy formulation and advice; laws and judicial procedures; judicial institution restructuring; strategic planning and coordination; judicial statistics, budgeting and accounting; judicial salary and incentive system, human resource management; management information system; judicial fees and other costs; access to justice; access to information; judicial decentralization, monitoring of efficiency and quality of the judicial system

 organization and structure of the courts, their system of accounting, organization of judge's workload, legal database system, case management (including distribution, recordkeeping, notification); alternative dispute resolution mechanisms; computerization; security and maintenance of judicial buildings, architectural design of judicial buildings; space utilization of courts; etc.

• training for judges, public defenders, counsels, and other officials; curriculum design; identification and design of short courses and specialized seminars; research and statistical analysis; judicial surveys; promotion and communication: etc.

The contracting of consultant services will be carried out in accordance with Norms of the World Bank for Use of

Those interest in one more of the areas mentioned should send available information regarding their capability and

experience in the following outline form: -Structure of the institution, organization, firm etc.

-Experience in work similar to that explained above. -Experience in Latin American and other countries.

-Curriculum vitae of key people (applicable to individual consultants, with experience in one or more areas explained above), and degree of proficiency in the Spanish language.

The information should be sent before October 25, 1995 to:

Dra, GISELA PARRA MEJIAS Magistrado of Consejo de la Judicatura National Director of the Indicial Infrastructure Project Project Implementation Unit Avenida Urdaneta, Esquina de Candilito, Building Doral Centro, Tower "C", 4th Floor, Office No. 42 La Candelaria, Caracas, Venezuela

Telephone: (Code 582) 576-3637. Facsimile: (Code 582) 561-3169

# INTERNATIONAL COMPANIES AND FINANCE

# **Buoyant demand prompts** NEC to raise PC forecast

By Michiyo Nakamoto in Tokyo

NEC, the Japanese computer and electronics maker, yester-day made a sharp upward revi-sion of its projected personal computers sales this year because of buoyant demand at home and abroad.

It now expects unit sales of its PCs to increase 65 per cent from last year's level to 3.56m units, compared with an April forecast of 2.75m units. The revised forecast high-

lights the strength of NEC's operations in Japan in the face of a fierce challenge by US computer manufacturers to its dominance of the market.

NEC, whose PCs use a proprietary standard, has more than a 50 per cent share of the Japanese market. The growing popularity in Japan of IBM-compatible machines, which were launched there at low prices, had been putting growing pressure on the

company.

NEC has increased the proportion of foreign-procured parts to lower its prices. On average, its PCs carry about 50 per cent of foreign-procured parts from the US and Asian

This year, domestic unit sales are expected to grow 66 per cent to 3m units on

David Jones, Australia's

second largest department

store retailer, plans to use almost all the proceeds of a

A\$800m (US\$606m) public float

The shares are being sold by DJL Limited, part of the troubled Adsteam group of

The company, which oper-

ates 29 department stores, had

already indicated it planned to

go ahead with a stock market

flotation, but details of the

offer were only revealed

yesterday.
The public will be offered

shares at A\$2.15 each. Institu-

tions, however, will be invited

to bid for stock in a range of

In the event that the

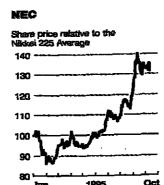
A\$1.95 to A\$2.15 a share.

next month to repay debts.

By Nikki Tait

in Sydney

companies.



demand from corporate and individual users. Overseas sales are being supported by firm demand in the US for NEC's multimedia PCs, which have been particularly popular among retailers.

Source: FT Exteri

Unit sales overseas are forecast to increase 60 per cent to 560,000 units. Exports, however, are expected to fall sharply as a result of the shift of production outside Japan.

The declining prices of PCs. however, has meant that on the basis of sales value. NEC expects a smaller increase in the current year.

Overall, PC sales will increase 25 per cent from Y755bn to Y940bn (\$9.3bn). NEC said.

David Jones float to cut debt

institutional price is set below the fixed offer price, private investors will receive a

There are 375m shares for

sale, suggesting that the pro-

cess will raise between AS731m

Jones forecasts a 6 per cent increase in sales during

1995-96, to A\$1.53bn - made up

of a 3 per cent rise on a compa-

rable store basis, and the

remainder from new floor-

However, Mr Chris Tideman,

chief executive, cautioned that

"due to relatively subdued

retail trading conditions experienced in the opening weeks of 1995-96. David Jones expects

comparable store sales to be

weaker in the first quarter.

The company, which expects

than for the full year'

**CSR** warns of profits decline

In its prospectus. David

refund.

and ASS06m.

Domestic sales are forecast to rise 26 per cent to Y670bn, while overseas sales are expected to increase 20 per cent to

Y270bn. Ms Naoko Ito, industry analyst at Goldman Sachs in Tokyo, said NEC's dominance of the market owed much to its formidable distribution and service support operations. The company has 7,000 dealers nationwide and 80 additional service support bases.

In Japan, where many consumers are first-time buyers or relatively inexperienced users of PCs, an established name and strong service support are important in winning custom-

While Ms Ito believes US makers of IBM-compatible machines will gradually increase their domestic share she said they would have to work on building up their distribution and service support networks.

For example, Fujitsu, which has strong networks, has emerged recently as NEC's biggest competitor on a low-price marketing campaign.

Fujitsu also revised its PC unit sales forecast in June from 1m units to 1.3m units and has set an internal target of 1.5m units. This is more than triple its PC shipments last year of 450,000 units.

to account for 12.8 per cent of

the department store sales sec-

tor, said earnings before inter-

est and tax should rise by

about 10.6 per cent to A\$111m

in the current year to July

After net interest charges of

about A\$10m, this would leave

pre-tax profits at A\$101m and

Forecast earnings per share are 17.2 cent, giving a

price-earnings multiple of 12.5

times at the fixed offer

David Jones also forecast a

12 cents a share dividend, offer-

ing a yield of 5.6 per cent at the

The company, which was set up by a Welsh-born retailer in

Sydney in 1838, is looking to

open new, or replacement

year in the medium term.

fixed offer price.

after-tax profits at A\$64.6m.

#### this time In the late 1980s, Reliance embarked on capacity expansion programmes in its core textiles and petrochemicals businesses in order to exploit the growing market for syn-

plastics. The company has so far incurred capital expenditure of Rs3hn to improve capacity in its textiles products. It is setting up a purified tereph-

thetic textiles, polyesters and

thalic acid project at Hazira, with a capacity of 350,000 tonnes a year. • Infosys Technologies, the Bangalore-based software company, yesterday reported a 45.2 per cent increase in net profits, from Rs55.2m to

Rs80.1m for the six months to September. Turnover rose 60.7 per cent to Rs389.3m. Infosys was founded by seven software engineers in 1981 and now has a list of international customers that includes Holiday Inn and Nordstrom, the US retail

#### Worse outlook for Japanese life insurers

By Gerard Baker in Tokyo

Standard & Poor's, the US credit-rating agency, said yesterday it had revised downward its industry outlook for Japanese life insurers as a result of sluggish earnings and

declines in asset values. The agency said life insurance companies were "troubled by the persistent negative spread in some savings products, the inability to source low-risk assets that yield appropriate returns to match liabilities and deterioration in loan asset quality".

The outlook for the industry had been generally depressed by the country's protracted economic downturn and weak

returns on insurers' invest-Furthermore, a declining stock market had substantially reduced the amount of

Last week Moody's said it

insurance companies in a range between BBB and A. in line with the leading Japanese

#### impact was to defer production CSR said three businesses and about A\$10m of after-tax had been adversely affected by profits from the first half to the second half-year," it said.

of Malaysia's Renong group

UMNO and special economic sian capital. But it is the new

By Nikki Tait

CSR, the building products, aluminium and sugar group, yesterday joined the lengthening list of Australian companies warning that the slowdown in the country's housing market would lead to a dip in profits.

CSR said it expected trading profit for the half-year to end-September to be about 15 per cent below the corresponding period last year, while the reduction after abnormal items would be about 10 per cent. In the first half of 1994-95,

operating profit before interest able wet weather had affected and tax was A\$406.4m its sugar operations, increasing (USS307.8m) and net profit both before and after abnormals was

reduced demand from the housing and construction markets - building materials, construction materials and its timber products division. On the last score, it noted that prices for softwoods had fallen by 15 per cent and demand for wood panel products had fallen.

The company also warned that three weeks of unseason-

adviser to the government.

Renong now has 13 listed

subsidiaries and associate com-

panies plus more than 100 pri-

tions, hotels and financial ser-

an ambitious infrastructure

necks in the high-speed econ-

omy and propel the country into the league of industria-

lised nations by the year 2020.

R enong and its associated companies have won a large share of

the work in the infrastructure sector. United Engineers Mal-

aysia (UEM), a listed subsid-

vate concerns covering oil and

costs and reducing mill efficiencies. "However, the major

CSR added that intense competition in the Australasian refined sugar markets would cause this business to record a small loss for the half year. However, he said the aluminium operations would see record half-year profits, due to good prices, as would the North American businesses.

unrealised gains on securities held by life insurance compa-

was downgrading the financial strength ratings of three of the leading life insurers. S&P currently rates life

# Overnight star lands new city role Kieran Cooke on the resurgence

hings are stirring in the plantations and farming lands of the southern Malaysian state of Johor. The planners are moving in to begin work on what is claimed to be the biggest private property project in south-east Asia. A new city is being built on a 27,000 acre site and a second bridge linking Malaysia to Singapore is being constructed

nearby. Behind both projects is Renong, a Malaysian conglomerate that is fast achieving blue chip status on the local market. "It seems to be Renong's decade." says a Kuala Lumpur broker.

It is heady stuff for a com-pany that began life as a Lon-don-listed tin dredging concern earlier this century, later lapsing into relative obscurity as an investment holding company. But Renong has some powerful friends.
Politics and business go hand in hand in Malaysia. In

1990 Renong acted as the vehicle for a reverse takeover of two concerns which con-trolled the multi-million dollar assets of the United Malays National Organisation (UMNO), the country's dominant political party. Overnight the company was transformed into one of the country's biggest groups. Renong still

Halim is seen as a close associ-

ate of Mr Daim Zainnudin, a

former finance minister and one of Malaysia's leading cor-

iary, won the contract to construct the 845km North-South Highway project stretching the retains close links with the country's political elite. Mr Halim Saad, a 42-year-old billionaire, controls more than 30 per cent of Renong. Mr

length of peninsular Malaysia on a build, operate, transfer (BOT) basis, with a 30-year concession period.
UEM is also constructing the
Malaysian side of the new M\$2.2bn (US\$880m) bridge with Singapore: other work includes a M\$554m contract to build a

national sports complex for the Commonwealth Games, due to be held in Kuala Lumpur in Another Renong subsidiary has been given a M\$4.35bn con-tract to build and operate the

market. In February Renong shares were worth less than M\$2.50. This week they have gas operations, telecommunicavices. But infrastructure develbeen trading around M\$4.20. opment is the key to company Due to its proximity to Singapore, the state of Johor has been growing faster than the rest of Malaysia and land Malaysia is in the midst of development programme designed to eliminate bottleprices have been rising fast.

city development in Johor

which has turned Renong into

one of the star performers this

year on the Kuala Lumpur

Prolink, a private company 65 per cent owned by Renong, paid less than M\$1 a sq foot for the land for the new city under prices controlled by Malaysia's land acquisitions act. A few months after acquiring its massive landbank, Prolink is now selling off sections to be developed at M\$17 per sq ft.
There are hopes that the new

city - called Nusa Jaya - will attract investors from landshort Singapore, where prices of M\$700 a sq ft are not uncommon. The plan is not only to encourage householders to invest in the new city: many of Singapore's industries could also relocate across the causeway in Malaysia.

"What Shenzhen is to Hong Kong so Nusa Jaya will be to Singapore," says a Singapore property developer. "Renong has its hands on the hottest piece of land in Malaysia." Renong has built up a reputation as a group which can

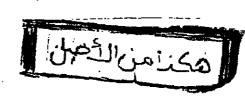
deliver complex projects on time. Analysts say it is well managed and has built up a sound operating structure.

But the group has its critics. Opposition politicians allege political patronage rather than corporate expertise has led to the rise in Renong's fortunes. Many projects have been awarded without a tendering process: companies complain there is no transparency in the system.

uch of Renong's income at present comes from toll collection on the North-South Highway. The highway was completed last year more than 12 months ahead of schedule. But at M\$7bn, it cost nearly twice the original estimate: tolls are likely to be raised more than 30 per cent soon to cover financing and maintenance costs. Motorists and transport firms are accusing Renong of highway robbery.

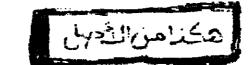
The Renong group has gone through numerous restructurings and internal share swap exercises: minority shareholders in its various companies have accused management of ignoring their interests. Mean-while the Johor city project has run into problems. Some of those forced to sell land cheaply are taking court action. Political infighting could put the project in jeopardy.

Undaunted, Renong is spreading its wings outside Malaysia. It recently purchased a controlling interest in the Manila Hotel, one of the Philippines most prestigious proper-ties. In Vietnam the group is building an export proce zone near Hanoi and in Indonesia and the Philippines, Renong is pursuing toll road



porate wheeler dealers who second phase of a light rail

acts both as treasurer of transit system in the Malay-



N West

set to win

North West Water looked

likely to win the takeover bat-

tle for Norweb after raising its

offer to £1.8bn and increasing

its stake in the Manchester-

based regional electricity com-

pany to more than 25 per cent.

Partners said it was "consider-

ing its options" but analysts predicted it would turn its

Norweb, which had recom

mended the original bid from

Texas, took some hours before

announcing that it would rec-

ommend North West's new offer. It said: "As at the

time of this announcement.

the board has no reason to

expect that Texas Energy Part-

ners will revise its current

North West increased its

cash offer by 75p to £11.50p,

compared with the Texas offer

of £10.85p, while the value of

its cash and shares offer was

increased to £11.61p or £11.99p

including the tax credit for

non taxpayers. Norweb's

Scapa Group, maker of indus-trial materials, is to acquire

the woven products division of National Filtration Corpora-

tion, for \$15m subject to the

approval of the US regulatory

The consideration comprises

\$350,000 cash on completion, a

\$13.65m loan note redeemable

in January 1996 and a \$1m loan note redeemable 18

months after completion.

Scapa will also pay off debt of

Kingfisher, the UK retailer,

has bought the 51 per cent of

shares it did not own in New

Vanden Borre, its Belgian elec-

trical retailing joint venture, for £2.5m (\$3.9m) cash. The

Belgian group had profits of £400,000 in the year to Febru-

ary 28 1995, on sales of about

£34.5m. It has 18 stores in Bel-

shares rose 61p to £11.47p.

Scapa purchase

authorities.

Kingfisher

attention to other recs.

Rival bidder Texas Energy

**Norweb** 

By David Wighton

Water

# eliance adustries head 33% t halfway

Warse out

for Japane

life insures

Bridge of Elegen

FREE TRANSPORT

## FINANCIAL TIMES THURSDAY OCTOBER 12 1995. † \* **COMPANY NEWS: UK**

# Merger plan buoys Lloyds, TSB shares

By John Gapper, Banking Editor

Shares in Lloyds Bank and TSB Group leapt yesterday received an enthusiastic reception in the City, and the possibility of another bank making a counterbid for TSB receded. The banks estimate that they could save about £350m a year - or 10 per cent of combined

costs – within four years.

Analysts said the figure could be an underestimate. They were encouraged by the potential for cost savings from combining technology and back office operations. Lloyds shares closed 49p up at 769p, while TSB shares closed 19p up

Sir Brian Pitman, Lloyds' chief executive and the puta-tive chief executive of the out of TSB's capital reserves at

to Hartons

refinancing

under threat after Suter, one

of its biggest shareholders,

Hartons plans to buy back

its preference shares at 90p. to

issue 52.6m ordinary shares at

8%p to Schuttersveld, the

European plastics distributor,

and raise £3.6m through a

7-for-11 rights issue, under-

written by Schuttersveld, which would have ended with

a holding of between 51 per

cent and 71 per cent. However Suter, the indus-

trial conglomerate, said it

would vote against the prefer-

ence offer at the November 7

EGM. Its 31.3 per cent of the preference shares is sufficient

to block the offer, on which

the rest of the plans are condi-

said it would vote against.

By Geoff Dyer

merged group, said Lloyds TSB would soon face a renewed choice of returning excess capital to shareholders through a share buy-back, or seeking a after the banks' proposal for a further acquisition. "It will not £13.6bn (\$21bn) merger be long before we have surplus capital once more," he said.
The merger would be effected through a scheme of arrangement under which Lloyds shareholders would own 70.6 per cent of the com-bined group and TSB share-

> The scheme of arrangement will switch existing shares in the banks into shares of Lloyds TSB on the basis of one new share for each TSB and 2.704 new shares for each Lloyds. In addition, TSB shareholders would gain a special dividend of 68.3p net per share. This div-

holders would own 29.4 per

#### Lloyds TSB: opening statement and summer UK (Spotox) 13,000 (+3,500 C&G staff) 60,000 (63,500 including C&G) 27,000 Number of branches 1,800 (+236 C&G branches) 1,050 Plantopr of contribute 7m (personal & business) 7m (persona) & business) • 2735m (below text) 1995 (Resthall 15, 1994 (Lighter) £271m foefore 1800 #: £1,304m (before text) 2504m (before tax) Cost income ratio 1995 (first half) end of 1994 64.3% 0 59.2% Total assets 1985, first (mil) 0 236,032m O 281:357m : £34,702m "TSB helf year to April 30, Lipyds helf year to June 30.

a cost of £1bn. Lloyds TSB would become the third largest UK high street bank after Barclays and National Westminster. It would be established by the end of the year provided the proposals are approved by both sets of shareholders next month.

The banks said an unspecif-

would lose jobs, but redundan-cies would mostly be absorbed by natural wastage. They emphasised their commitment 2.850-branch network. Sir Brian said the new bank's main operating advan-

tage was that it would push

ied number of their 69,000 staff down unit prices, allowing it to sell financial products more cheaply. "We will be able to offer 24 hours a day, 365 days a year service, and others will have to match us," he said. TSB and Lloyds will maintain separate identities, and there will be little amalgamation

The price put on the shares is at the upper end of market expectations and follows the successful float - also in London and Accra - in April last year of Ashanti Goldfields, now valued at about

PGL, which has debts of \$5.2m, received its first dividend from Teberebie of \$3.5m in the first quarter of 1995.

# Suter threat | Pioneer Gold to float at up to \$787m

By Christopher Price

Pioneer Goldfields will have a market value of between \$712m and \$787m when the Ghanaian gold mining group floats on the London and Accra stock markets next The refinancing plans of month. Hartons Group, the plastic products distributor, are

The pathfinder prospectus, published yesterday, set the offer price at between \$9.50 and \$10.50. About 20 per cent of the issued share capital is being offered, raising between \$249m and \$275m. The rest is being kept by PGL's owner, Pioneer

Group, a Boston-based fund manager. PGL owns 90 per cent of the Teberebie Goldfields group, which in turn owns and

operates the Teberebie gold mine in Ghana. The remaining 10 per cent is held by the Ghanaian government. The mine, which has been in operation since 1991, is the country's second largest gold pro-

After-tax income in 1994 amounted to \$18.7m, based on gold production of 176,000 ounces. PGL said it expected to increase production to about 235,000 ounces this year, with a further rise to 400,000 ounces year by 1998. Teberebie's proven and probable reserves at present total 9.2m nunces and at the latter rate of exploitation would give the mine a 20-year life-

Mr Lu Girard, chief executive and man aging director, said Pioneer Goldfields intended to pursue other mining opportunities in Africa. Expenditure to this end has been earmarked at \$1.5m in 1996, \$2.5m in 1997 and \$3.3m a year there-

RESULTS											
	Terrore	ner (Ens)		e-tanx It (Exc)	<b>6</b> 4	(c)	Current payment (p)	Date of payment	<ul> <li>Dividends         <ul> <li>Corresponding</li> <li>dividend</li> </ul> </li> </ul>	Total for year	Total last year
Alexandra Workwear 28 wks to Aug 12 BBB Resources 6 mits to June 30 Bulgla (AF) 6 mits to June 30 Cream Clear \$\frac{1}{2}\$ 6 mits to June 30 Cream (James) \$\frac{1}{2}\$ 6 mits to June 30 Energy Cap law 6 mits to June 30	35.7 48.8 10.45 0.358 130.7 0.572	(33.3 ) (42.2 ) (9.03 ) (0.118 ) (128.3 ) (0.068 )	2.74 1.77 0.56 0.203L 9.61 0.424	(2.16 ) (1.38 ) (0.5 ) (0.721L) (8.47 ) (0.029L)	5.3 5.4 1.53 - 12.7† 1.82	(4.3 ) (4.2 ) (1.26 ) (- ) (13.5 ) (0.16 )	2.5 2 : 6.225	Dec 1 Nov 30 Dec 15	2.3 1.77 - 5.925	:	6 5.5 0.25 - 14.175
Investment Trusts	MAŻ	<u>(e)</u>		utable ps (Eus)	EPS	( <del>c)</del>	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Yotal last year
Old Minimal S Africa 14 miles to Aug 31	128.58	<del>(-</del> )	1.56	( <del>-</del> )	2.98	(-)	2.64	Nov 30	-	2.64	-

Dividends shown pet, Earnings shown basic. Figures in brackets are for corresponding period. \$\phi\text{Aim}\$ stock, \$\frac{1}{2}\text{inish}\$ currency. \$\psi\text{TO}\$ increased capital. \$\pi\text{Comparatives}\$ for 9 miles and restated.

# **FT CONFERENCES**

THE PETROCHEMICAL INDUSTRY - TOWARDS THE YEAR 2000 London, 20 & 21 November 1995

Authoritative figures from Europe, North America and the Asia-Pacific region will address this enrual FT meeting, sharing their views on managing the boom-bust cycle; joint ventures; industry restructuring and privatisation plans. Speakers include: Mr Event Henkes, Chemicals Coordinator, Shell International Chemical Company List; Mr Bryan Sanderson, Chief Executive Officer, BP Chemicals; Mr Katsuharu Hoshi, Executive Managing Director, Mitsul Toalsu Chemicals incorporated; Mr Edward Wilson, Vice President, Dow Europe SA; Mr Joseph Soviero, Corporate Vice President, Union Carbide Corporation; Dr Henk J Alkerna, Associate Partner, Arthur Andersen & Co and Mr Antonio Sacristàn Roy, Corporate Planning Co-Ordinator, PEMEX.

WORLD ELECTRICITY

London, 22 & 23 November 1995

Against a backdrop of rapid change and considerable opportunity, this annual meeting - the ninth in a series arranged jointly with Power in Europe - will examine the continuing trends of deregulation and liberalisation around the world. International experts will consider how utilities are responding to a more competitive environment and comment on the global power market in the late 1990s. Speakers include: Mr Jurgen Andersson, Minister for Housing and Energy, Sweden; Mr R E D Coldwell, Head of Government & Overseas Relations, The National Grid Company pic; Mr Gyorgy Hatvani, Chairman, MVM; Mr David Weaver, Vice President, Asla, CMS Energy Corp; Mr Reinier Lock, Counsel, LaBoeuf, Lamb Greene & MacRae LLP and Mr John Beaumont, Director of Marketing, Energis Communications Ltd.

FINANCIAL REPORTING IN THE UK: ACCOUNTING ISSUES, 1995-96 London, 23 November 1995

Developments in financial reporting have come thick and fast this year. The fifth annual FT conference on Financial Reporting provides accountants in practice and in industry with an opportunity to discuss these developments with the experts. Speakers include: Professor Sir David Tweedle, Chairman of the Accounting Standards Board; Sir Bryan Carsberg, Secretary-General of the International Accounting Standards Committee; Mr D John S Roques, Senior Partner & Chief Executive, Touche Ross & Co: Mr Kevin J Plummer Group Chief Accountant at Guinness PLC; Dr David R Creed, Group Treasurer at Tate & Lyle PLC; Mr Ken Wild, National Accounting Technical Partner at Touche Ross & Co; Mr Malcolm Gammle, Tax Partner at Linklaters & Paines and Ms Liesel Knorr. Technical Director at the International Accounting Standards Committee.

**BIOTECHNOLOGY** 

London, 27 & 28 November 1995

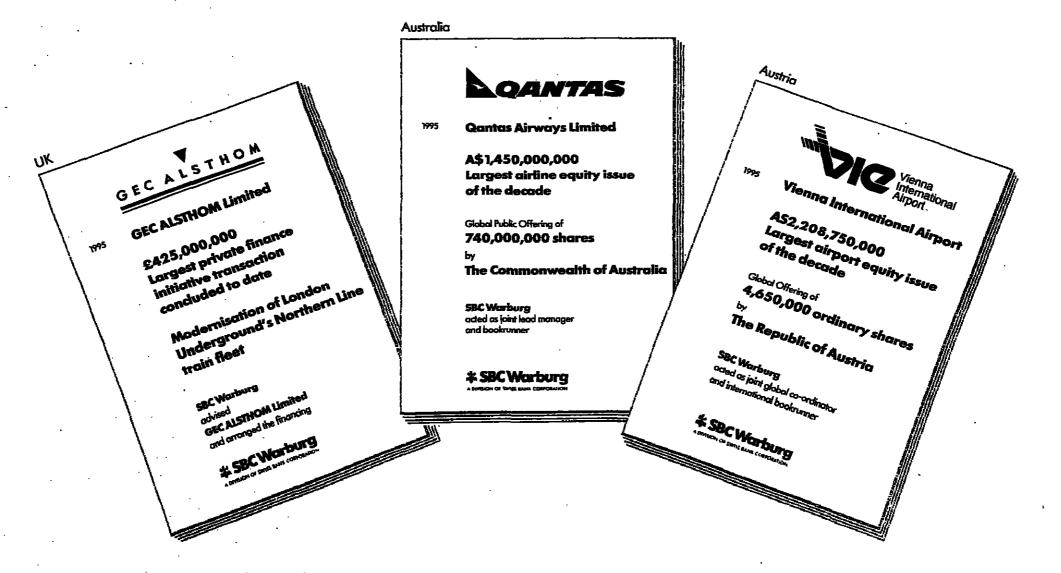
Biotechnology is still in its early years as an industry but holds the longer term potential of opening up new medical frontiers. This second FT conference, arranged in association with Pharmaceutical Business News and Biotechnology Business News, will examine how the sector is evolving and assess the new partnerships and strategic attances being forged between biotech companies and pharma malors.

THE OUTLOOK FOR NATURAL GAS London, 11 & 12 December 1995

Gas is widely viewed as the fuel of the decade with production and use growing strongly worldwide. With the advantages of being seen as an environmentally triendly tuel and reserves that are set to out-strip oil, will the gas business tuttle its widely held promise or are expectations being set too high? An international panel of speakers will address this FT meeting which is arranged in association with International Gas Report.

All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK. Tel: 0181 673 9000 Fax: 0181 673 1335

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### **HEALTH & SAFETY EXECUTIVE**

**CONTRACT FOR THE PROVISION OF** FIELD TECHNICAL SERVICES

The Health and Safety Executive (HSE) invites applications to provide Field Technical Services to complement the work of Specialist Inspectors in support of its regulatory functions under the Health and Safety at

The work requires staff professionally qualified in a broad range of engineering, chemical and occupational health disciplines to undertake tasks which can be performed by competent non-HSE practitioners including surveys, investigations, assessments, advice, legal and project work.

An indicative work volume based on 1994/95 cutputs, is 2,000 days per year which will be required on a reactive sis at a day rate or hourly rate depending on the neture of the tasks.

Interested organisations will be sent a supplier appraisal questionnaire which seeks a range of commercial and financial information. The date for the return of completed questionnaires is 30th of

A shortlisting process will be conducted, after which the selected suppliers will be sent a full Invitation to Tender. seecled suppliers will be serk a full invitation to ferioer. Suppliers may be invited to tender for a part, or whole of the services. It is anticipated that three year call off con-tract(e) or framework agreement(s) will subsequently be awarded, although HSE reserves the right not to award any contract.

Organisations should express their interest in writing and preferably by fax to: Mrs J Passmore, Health & Safety Executive Room 908, Daniel House, Trinity Road, BOOTLE, Merseyside L20 7HE Fax Number: 0151 951 3019

nent is also being published in the supplement to the Official Journal of the European Communities a notice for which was dispatched on 22nd of September 1995.

#### CREDIT COMMERCIAL DE FRANCE FRF 500,000,000 REVERSE FLOATER BONDS DUE 1998 ISIN CODE : XS0043048882

For the period October 9, 1995 to April 9, 1996 the new rate has been fixed at 6.95879 % P.A. Next payment date : April 9, 1996

Amount: FRF 349,87 for the denomination of FRF 10 000 FRF 3 498,72 for the denomination of FRF 100 000 FRF 17 493,62 for the denomination of FRF 500 000 Pursuant to the Terms and Conditions of the Bonds, notice is hereby given to the Bondholders that FRF 33,800,000 have been repurchased by the Issuer on October 9, 1995. Nominal outstanding: FRF 111,200,000

The Principal Paying Agent
SOGENAL - SOCIETE GENERALE GROUP 15, Avenus Emile Reuler LUXEMBOURG

#### **COMPANY NEWS: UK**

# Fate sealed in the small hours

Daniel Green on the phone call that ended Fisons' 50-day resistance

A t just after 4am yester-day, four men agreed that Rhone Poulenc-Rorer, the US drug company, should take over its UK rival

The long night of talks had been triggered by a telephone call from Mr Stuart Wallis, Fisons' chief executive, to Mr Robert Cawthorn, chairman of RPR. Mr Wallis had said simply that the board of Fisons had earlier in the day agreed to accept RPR's hostile a 265p a share offer. Fifty days of resist-ing the hostile takeover attempt was over.

They and the two others involved in the all-night talks, Mr Michel de Rosen, RPR's chief executive, and Mr Paddy Linacre, Fisons' chairman, are today preparing to bury Fisons in RPR's asthma division. The first meetings designed

to create a group of executives

to oversee the merger are

means job losses are likely wherever the companies' businesses overlap. Top of the list, says Mr Cawthorn, is going to be the US. There are more than 400 in RPR's asthma products sales force, while Fisons' has over 300, and the two will be

already planned. Mr Wallis has offered his services to RPR to

make the changeover as

smooth as possible. But what-

ever happens now, he and many others currently

employed by Fisons are likely

The merged and reorganised

business should make RPR one

of the world's leading compa-

nies in asthma and allerev

medicine, the fastest growing

of the medical areas. That

to be working somewhere else

in a few months.

The overlaps in the UK and France, home of RPR's parent company, chemicals group Rhône-Poulego, are smaller.

This is largely because respiratory disease, which is Fisons' forte, represents only 10 per cent of RPR's \$4.5bn (£2.9bn) of annual sales.

RPR employs 400 in the UK business. Research, development and manufacture is centred at Dagenham, Essex, and marketing in Eastbourne, Sussex. But the manufacturing operation is concerned with anti-inflammatory and cancer drugs, and R&D is skewed towards research rather than

The fit with Fisons appears good, Fisons sold its R&D arm to Astra of Sweden earlier this year and manufacturing is as much to do with filling asthma inhalers as creating the drugs

French workforces are unlikely to be hard hit, says Mr Cawthorn, because the respiratory area there is small. Mr Wallis's future at Fisons/

vious job helping restructure Bowater, now called Rexam, because he was "bored", and is unlikely to be happy taking orders in a French-controlled

US company. However, he is not likely to be short of job offers. He joined Fisons a year ago and spent three months studying the business. In January this year. when Fisons' share price hovered at just over 100p, he said he intended to sell some of the businesses and that a break-up or takeover was a possibility. At the time he thought it would take about a year to exe-

cate this plan. It happened rather more quickly than that, and Mr Wallis still has regrets that the plans will not continue to frui-tion. His consolation is that under his control the value of the business has more than doubled in less than a year.

# **Eurotunnel says** 1996 will be a 'painful year'

By Charles Batchelor, ransport Correspondent

Eurotunnel yesterday warned that overcapacity on cross-Channel routes and the continuing price war would make 1996 a "painful year" for both the ferry operators and the troubled Anglo-French tunnel operator.

Mr Georges-Christian Chazot, Eurotunnel's chief executive, predicted that the ferry companies, dominated by P&O and Stena Sealink, would be forced to reduce capacity and the tunnel would become the first choice for most travel-

ers.
"We do not underestimate the capacity of the ferries to improve, but we are simply saying that we have a system which is unique in many of its characteristics," he said yester-

Nevertheless, Mr Chazot said a tough battle for market share was inevitable, adding that Eurotunnel would fight the ferry companies by introducing a new fare structure for 1996. to be announced in the next four weeks.

That would reinforce Eurotunnel's competitive challenge to the ferry operators, which it increased last month by announcing a 33 per cent cut in duty free prices. Mr Chazot. said the initiative had already led to a near-doubling of travellers stopping to buy.

Describing 1995 as a "hybrid year" in which Eurotunnel had to make the change-over from a construction project to a railway operator, he said 1996 would be the company's first opportunity to prove itself with a complete train fleet and full range of services. "We must adjust our product to the expectations of our customers and improve services in terms of their punctuality and their reliability," Mr Chazot said.



Georges-Christian Chazot: new fare structure for next year

The company was confident that customers who had used the tunnel would return next year. In a poll of travellers, 67 per cent has said they would

use it again. Mr Chazot identified his two main priorities over the next three months as ensuring that sufficient freight shuttles were available to take account of the peaks and troughs of truck arrivals and to market the tunnel

effectively to car passengers. Truck arrivals vary from 700-800 on a Sunday to 1,800 on Wednesdays with the peak hours each day between 5nm and 2am. With tunnel maintenance carried out at night. Eurotunnel must make adjustments to its work patterns to avoid delays to trucks, Mr Chazot said.

Car passengers will be targeted with an advertising campaign emphasising the benefits of the tunnel during the winter when conditions in the Channel are often rough.

Eurotunnel believes it can increase its share of the Dover-Calais passenger market beyond the 36 per cent achieved last month.

# Anagen distributor | Exchange rates seeks to withdraw

By Motoko Rich

Shares in Anagen, the diagnostic equipment company, fell nearly 30 per cent yesterday after its main distributor announced that it no longer intended to market its leading product.

Organon Teknika, the Akzo Nobel subsidiary which agreed in 1993 to sell Anagen's Aura-Flex diagnostic system, said it was seeking to terminate its distribution contract.

AuraFlex, an automated immunoassav system for detecting various deficiencies in blood samples, was due to be launched worldwide this

Anagen's shares dropped 28p to close at 72p. Mr Mervyn Sennett, Anagen's managing director, said: ket l "We were absolutely stunned bly".

To date, Anagen has invested about £25m in developing AuraFlex, while Organon has spent about

Mr Sennett said the group was in conversations with other potential partners. According to Mr Sennett, Organon made its decision last Friday. He said the company believed it did not have the strength to break into a market where competitors that were already selling similar products included Abbot, the pharmaceuticals company, and

Mr Ton Stapexecutive vice-president at Organon, said a delay in the product launch originally scheduled for early 1994 - had meant that the market had "changed considera-

CIBA Corning Diagnostics.

# limit Crean rise

By John Murray Brown, in Dublin

James Crean, the Irelandbased diversified industrial group, reported a modest 5 per cent rise in pre-tax profits from I£9.05m to I£9.5m (\$15m) for the six months to June 30, reflecting adverse currency movements.

The group, involved in foods, electrical goods and print paper and packaging. increased sales by 2 per cent from I£128.3m to I£130.7m. However, pre-tax profits in continuing activities rose 13 per cent to 129.61m. There was

a strong operating performance in local currency terms from its US and UK businesses, helped by its 71.2 per cent holding in the Inishtech Group, although the Irish operation remained flat.

down 6 per cent to 12.7p (13.5p) and the interim dividend is increased by 5 per cent from 5.925p to 6.225p. In line with its continuing rationalisation, the group hasdisposed of EJA, its Dutch

Earnings per share were

office products company, for 154.8m, half in cash and half in deferred promissory notes. EJA reported a 1290,000 loss, compared with profits of

The board said results for the year could be slightly down. It expected trading to be weaker in the second half in the UK electrical wholesaling and in the frozen meals segment of its US food business where it had been decided to commit substantial promotional expenditure to regain market share conceded in the first half.

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#### SUPPLY OF BEER TO CERTAIN TIED HOUSES OWNED BY INNTREPRENEUR ESTATES LIMITED (IEL)

#### INVITATION TO TENDER

Tenders are invited for the right to supply beer to 500 licensed premises owned by inntrepreneur Estates Limited on behalf of The Inntrepreneur Beer Supply Company Limited (formerly Courage Limited) (IBSC) or other wholly-owned subsidiary of Foster's Brewing Group Limited of Australia

IBSC has the right to supply (or to nominate the supplier of) certain types of beer (tied products) to tenants of the licensed premises. IBSC (or the nominee) will agree to purchase beer from the successful tenderer and will appoint the successful tenderer as its agent to supply beer to those tenants.

The tender process has been initiated pursuant to binding undertakings dated 11 August 1995 given to the Secretary of State for Trade and Industry pursuant to Section 75G of the Fair Trading Act 1973 in connection with the sale of the IBSC beer business to Scottish & Newcastle pic.

Written expressions of interest from potential tenderers are to be sent to Mr Robin Hammond at IESC at the above address to arrive no later than 5 pm on 18 October 1995. Interested parties will then be required to enter into a confidentiality undertaking and will then be given the documents on the basis of which tenders are to be submitted.

The timetable for the tender process is as follows:

Expressions of interest Confidentiality undertaking received and

ifter tender documents provided Tenders submitted Notification of successful tenderer

Execution of Supply Agreement Commencement of Supply

As soon as practicable but not later than 18 October 1995 From 18 October 1995 17 November 1995 By 8 December 1995 Immediately thereafter

1 January 1998

Tenders will be required to be made for 100% of the tied products for each licensed premises



# The Best Ideas in Business

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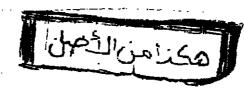
The Best Ideas in Business

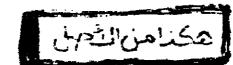


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# FINANCIAL TIMES THURSDAY OCTOBER 12 1995

# COMMODITIES AND AGRICULTURE Reduced crop forecasts boost Chicago grain prices

on long and

1 says

The US Department of Agriculture once again in the USDA report was a 4 per reduced its estimate of the size of this year's US coarse grains crops in its regular monthly assessment of the nation's grain situation. The report confirmed that global supplies of grain would be smaller at the end of this crop year than they have been in decades and sent maize and soyabean futures prices at the Chicago Board of Trade sharply higher.

Besides cutting harvest estimates and raising demand figures for coarse grains, the agency also trimmed its world wheat supply projection, saying smaller crops in Argentina Australia, the EU and Kazakhstan would reduce world wheat output to 529.77m tonnes, and forecast a narrow carryover margin of just 97.4m tonnes at the end of the crop year.

World wheat prices already reflect this tight balance sheet, with prices at most delivery points at their highest levels since 1990. At the CBoT yesterday wheat for December delivery was up 4 cents a bushel in saying unfavourable weather

Traders said the real shock cent drop in the agency's US maize production forecast in just the past month. The USDA said late plantings and an early freeze during September would reduce the domestic harvest to 7.54bn bushels of maize this year, 25 per cent below last year's bumper harvest of 10.1hn bushels.

The production drop also cut carryover estimates, leaving the US with an estimated maize stockpile of 685m bushels at the end of this crop year, compared last month's estimate of 730m bushels. The maize futures price for December delivery jumped 8.76 cents to a life-of-contract high of \$3.26% a husbel in response to the report before surrendering about half of the gain.

Chicago soyabean futures prices also surged, as traders reacted to the USDA's 4 per cent downward revision in its production estimate. USDA reduced its soyabean production forecast to 2.19bn bushels,

early trading but eased back had also reduced this crop, which is used primarily for animal feed and vegetable oil.

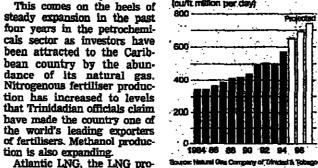
The agency said that world demand for soyabeans would trim US stockpiles, leaving only 220m bushels in storage at year-end, a sharp reduction from the September stocks estimate of 330m bushels. Soyabean futures prices for November delivery at the CBoT rose 19 cents to \$6.69% a bushel in the morning before settling back to about \$6.60 in the after-

Mr Jerry Gidel, grain market analyst for Dean Witter Reyn-olds, said prices for feedgrains and wheat were likely to remain high, despite the continuing harvest, because trad-ers expect further downward revisions in the crop estimate as the harvest progress Other analysts noted that tight feedgrains supplies and

dadian companies. Amoco Trinidad, a subsidiary of the high prices might begin to induce livestock producers to US oil company, has a 49 per reduce their herds, and could cent stake in Atlantic LNG, negatively affect margins of with British Gas holding a 31 industrial maize users, particuper cent interest. Cabot LNG of larly those producing ethanol, the US and the state-owned the grain-based gasoline substi-National Gas Company of Trinidad and Tobago will each have 10 per cent.

Trinidad and Tobago's 3m tonnes a year, with producexpanding petrochemition scheduled to begin late in 1998. Exports will earn about \$175m a year, says Mr Patrick single investments in the Manning, Trinidad and Toba-Caribbean region. A US\$1bn go's prime minister. The

Trinidad & Tobago Natural gas production (cufit million per day)



plant's output has already been fully committed, with Cabot LNG taking 60 per cent and Enagas of Spain buying

Trinidad and Tobago's natural gas production will be expanded significantly to meet the demands of the LNG plant and to feed an expansion of fertiliser production. The country has known natural gas expansion of these gas-based operations, and the gas is there to meet all demand," says Mr Ken Julien, chairman of the National Gas Company.

Trinidad gets \$1bn petrochemicals boost

Canute James on one of the largest single investments in the Caribbean region

The agreement on the LNG plant coincides with several new projects for the production of nitrogenous fertiliser (ammonia and urea) by foreign and local companies. Some have bought into existing facilities, some of which have been divested by the government. while others are building new plants. Trinidad and Tobago's fertiliser production of 2.45m tonnes last year was 7 per cent higher than 1993. The new ventures that have already been committed will lift fertiliser

xpansion in methano production has been dramatic, more than doubling last year to 1m tonnes. New investments will lift national capacity to 1.6m tonnes a year.

capacity to 3.3m tonnes a year.

"The government was initially a promoter and an investor in the gas-based industries," says Mr Julien. "More recently the government has been seeking local and foreign

look at Trinidad and Tobago, they see a country which. although small, offers a combination of factors which offer good prospects for invest-

This assessment is shared by Mr Nazir Khan, chief executive of Arcadian Trinidad, a subsidiary of Arcadian Partners of the US. "The political climate here is stable and there is an abundance of natural gas." he says. "The government fasttracks projects, and we have also been attracted by the availability of literate and

trained workers." Two years ago Arcadian bought an ammonia and a urea plant from the government and from Amoco for US\$175m. It is retooling to improve efficiency. and plans to build another 225,000-tonnes-a-year factory.
"For us, Trinidad and Tobago
offers easy access to our major markets," says Mr Khan. can get quickly to the US Gulf, South America and Europe." The planned expansion in Trinidad and Tobago's nitroge-

nous fertiliser capacity will be led by Farmland Industries of Kansas and the Mississippi Chemical Company, which are

reserves of 12,000bn cubic feet. investors through investment building an ammonia plant "We have planned for the or divestment. When investors with capacity of 655,000 tonnes

These companies have joined others that have apparently concluded that Trinidad and Tobago makes good business sense. Ferrostaal and Helm of Germany have bought a half of a state-owned methanol plant and are planning another with capacity of 500,000 tonnes per year. Norsk Hydro of Norway was an earlier recruit to the Trinidadian petrochemicals sector, buying ammonia plants from WR Grace of the US five

Local companies are also investing in petrochemicals. Colonial Life Insurance, a local financial services conglomerate, holds a 65 per cent stake in a 500,000-tonnes-a-year methanol plant that began production last year. Its partners are Ferrostaal and Methanex of Canada.

There are already indications this year of the impact of the new investments. Nitrogenous fertiliser exports reached 587 700 tonnes in the first quarter of the year, 16 per cent higher than the previous quarter, while methanol exports grew also by 16 per cent to reach 277 800 tonnes.

# Algerian oil field 'world class'

By David Lascelles, Resources Editor

Initial crude oil production of about 40,000 barrels a day is expected by early 1997 from the first stage of development of Algeria's Hassi Berkine South No 2 and Hassi Berkine No 4 with 50 per cent, and Lasmo

The field, which lies close to Algeria's eastern border with

Libya has estimated gross reserves of 1.5bn barrels of oil.

Members of the Algerian joint venture developing the field are Anadarko Algeria appraisal wells in Block 404 in and Maersk Olie with 25 per

Mr John Hogan, chief operating officer of Lasmo, said yesterday: "We are talking world class both in terms of reserves

and productivity". The first stage of development which will include a pipeline connection, is expected to cost \$210m.

MARKET REPORT

# Copper stages late rally at LME

A strong rally in COPPER prices during yesterday's after hours "kerb" trading session at the London Metal Exchange injected some backbone into other dispirited metal markets.

fully defended the five-month low of \$2,710 a tonne, for three months delivery. Heavy buying from one influential quarter prompted shortcovering and the market ran up some \$30 in

"[The decline] was technical," one trader said. "copper [supply] is still tight." ALUMINIUM, TIN and LEAD prices also ended in the plus column. Compiled from Reuters

# Fischler outlines banana regime reform plan

By Caroline Southey

Mr Franz Fischler, the European Commissioner for agriculture, yesterday outlined a series of reforms to the European Union's controversial banana regime just two weeks after the US filed a complaint with the World Trade Organisation against the import

cals sector has received

a fillip from one of the largest

plant to produce liquefied nat-

ural gas is to be constructed on

a new industrial estate in the

bean country by the abun-

of fertilisers. Methanol produc

ducer, is a joint venture created by US, British and Trini-

The plant's capacity will be

tion is also expanding.

south of the country.

The arrangement, which gives preferential access to bananas from the African, Caribbean and Pacific group of countries, has been the subject of furious rows between member states and between the US and EU. The basis of the US com-

132

supported by Guatemala, Honduras and Mexico, is that the regime has caused "significant harm" to US banana marketing companies.

Mr Fischler has been prevented so far from making changes to the three-year old regime. The commission failed to give him a mandate to negotiate changes with the US while there has been a stalemate in the council of ministers over a number of minor proposals for reform.

He warned that the word "compromise" was not associated with discussions on the banana regime. But he called on EU ministers to be constructive and said he hoped

plaint to the WTO, which is that "all concerned will recognise that there are decisions which have to be taken

urgently". Mr Fischler attacked critics of the regime, pointing out that it had maintained the presence of ACP and community bananas in the EU market and had succeeded in creating a single market for bananas, which had led to a convergence in prices.

Although any adjustments should not jeopardise the regime's objectives, they were necessary to "assuage the criticisms," he said.

EU agricultural ministers will consider the suggestions at a council meeting at the end of the month. They will also consider increasing the tariff quota to accommodate Austria, Sweden and Finland, which joined the EU in January. Mr Fischler's proposals

include changing the distribution of licences. The change would involve allocating new licences due as a result of the EU's enlargement to importers of Latin American bananas rather than importers of ACP produce.

But Mr Fischler warned that any further increase in the tariff quota, which has been called for by Germany and the US, would carry the risk of creating an oversupply of bananas in the EU. "The world banana market is already depressed," he said.

**JOTTER PAD** 

#### Noranda drops plan to build smelter in Chile

By Robert Gibbens in Montreal

Noranda, Canada's biggest resource group, has dropped plans to build a US\$1.5bn aluminium smelter and hydroelectric plant in Chile because the prospective return, based on present metal prices, which are 20 per cent below the January highs, would be too low.

The company said it could handle the project financially but it wanted to focus on its mining and other metals projects in North and South Amer-

Efforts to find a partner were not successful.

## Traders said copper success-

**COMMODITIES PRICES** BASE METALS . LONDON METAL EXCHANGE

M ALUMINIUM, 98.7	PURITY (\$ pe	tonne)
<u> </u>	Cash	3 miths
Close	1650-51	1685-86
Previous	1687-68	1722-23
High/low		1703/1673
AM Official	1645-46	1680.5-81.
Kerb close		1702-4
Open int.	208,836	
Total daily turnover	99,812	
M ALUMINIUM ALLO	DY (S per tonn	<u> </u>
Close	1420-30	1460-70
Previous	1480-70	1500-10
High/low		1480
AM Official	1436-45	1475-80
Karb close	3.077	1470-80
Open int.	1.145	
Total daily turnover		
EAD (\$ per tonne	<u> </u>	
Close	581-82	<b>590</b> -81
Previous	5 <del>89-8</del> 0	509-600
High/low	586/585	601/589 593,5-94,0
AM Official	585-85.5	593.5-94.0 601-2
Karb close	33,194	BU1-2
Open int. Total daily turnover	10,193	
-	-	
NICKEL (\$ per ton		
Close	7625-35	7750-60
Previous	7825-35	7950-55
High/low	7725/7575	7850/7700 7795-800
AM Official	7690-85	7810-15
Kerb close	44.984	10.10-10
Open int. Total daily turnover	14.486	
	1-1-100	
E TIN (\$ per torne)		

6115-20 6185-90 6190/6080 Close Previous High/low AM Official 6100-105 6045-55 Kerb close 19,847 5,740 ZINC, special high grade (\$ per tonne) 1010-11 78.B10 Total daily turnove E COPPER, grade A (\$ per tonne) 2716-17 2765/2763

LME Closing 2/5 rate: 1.5756 Spot: 1.5729 3 miles: 1.5697 6 miles: 1.5661 9 miles: 1.5624 126.70 +1.20 126.70 125.30 1,246 125.70 +1.21 125.70 123.75 1,170 126.05 +1.85 126.20 123.75 1,170 125.05 +1.45 125.50 122.80 20,823 124.10 +1.20 124.50 122.40 571 123.20 +1.00 124.00 123.20 417 124.10 +1.20 124.50 122.40 123.20 +1.00 124.00 123.20

III LIME AM Official 9/\$ rate: 1.5746

IS DUNED BY

PRECIOUS METALS IN LONDON BUILLION MARKET (Prices supplied by N M Rothschild) \$ price 384.70-385.00 384,60-384.90 384.70 384.50 384,35-384.65 Day's Low Previous close 395.00-365.40 Loco Ldn Menn Gold Lending Rates (Vs US\$) 12 months 4.03 3.97 US dis equiv 541.75 547.20 552.90 565.30 347.50 351.90 361.55

\$ price 384-387 395,30-397.80

**Gold Color** 

£ equiv. 244-246

Precious Metals continued ■ GOLD COMEX (100 Tray oz.; \$/tray az.) -0.1 385.1 385.1 804 12 -0.2 387.7 387.1 89.34 25.845 -0.2 390.0 388.3 22.411 107 -0.2 392.2 381.8 9.760 788 -0.2 384.5 394.5 13.046 35 -0.2 - 1,795 58 189.585 27,677

-27 414.0 414.0 529 -27 415.8 414.5 21,262 -2.3 415.0 415.0 1,668 -2.1 - 1,385 -1.9 - 31 415.0 415.0 415.4 418.6 E PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 138.70 -1.95 140.00 138.50 5.209 140.10 -1.80 140.75 140.75 753 141.35 -1.80 - 75

**ENERGY** # CRUDE OIL NYMEX (42,000 US gails. \$/barreli) 17.22 55,830 32,883 16.95 73,745 21,851 16.87 41,933 5,284 E CRUDE OIL IPE (\$/barrel) prices change 16.10 +0.07 High Low let Vot 16.10 15.86 31,051 21,143

2,852 1,163 1,018 M HEATING OIL HYMEX (42,006 US gain; clus gain) 48.45 38,930 49.00 40,308 49.50 34,108 49.55 +0.03 48.42 -0.10 47.60 +0.13 Sell Deg's price change High Low

146.25 +0.25 148.75 145.00 10,156 147.75 +0.50 148.25 146.25 30,428 148.50 +0.50 148.75 147.50 22,922 149.25 +0.50 149.25 148.00 19.588 149.00 +0.50 149.00 148.00 4,150 148.50 +0.50 148.50 147.75 3.572 203 N/A MATURAL GAS WHEX (10,000 mmBb; \$7008b) 1,767 -0.035 1,814 1,762 22,765 14,910 1.802 -0.026 1.922 1.805 25,561 1.920 -0.021 1.950 1.920 22,588 4,128 1,850 -0.015 1,785 -0.009 1,850 11,642 1,780 8,891 1.875 1.795 1,720 +0.001 1.720 1.720 5,364

IE UNLEADED GASOLINE +0.12 50.60 49.60 24.601 13.683 -0.05 48.35 49.00 16.680 5.442 -0.18 48.10 49.00 7.680 2.239 -0.18 - 3.118 339 -0.03 - 1,688 7 GRAINS AND OIL SEEDS WHEAT LCE (£ per tonne) 116.40 +0.80 116.40 115.70 2.125 118.75 +0.55 118.85 118.30 1,794 120.75 +0.55 120.75 120.25 1,292 122.85 +0.55 122.90 122.40 2,022 124.25 - 74 108.50 - 6

M WHEAT CST (5,000bu mirc cer 480 59,398 489% 25,637 463 2,960 418 9,258 420 366 426 329 490 498% 457% 423 424% 434 Dec Mar May Jel Sep Oec Total -3% -2% +% +1% +1% 13,176 4,847 458 1,517 MAZZE CST (5,000 bu min; cents/56tb bushel) +5/0 328/4 3220 233,532 43,691 +5/2 334/0 329/2140,886 24,259 +5/2 334/4 330/4 22,751 4,086 +4/2 332/0 328/0 41,688 7,720 +1/2 300/0 258/2 4,845 359 +0/6 252/4 278/5 16,581 1,352 464,000 81,565 108.10 +6.40 108.10 107.60 111.15 +0.25 111.25 111.10 +0.25 113.50 113.35 +0.40 -

659/2 +10/4 669/4 658/6 78.315 24,070 670/0 +10/6 678/0 669/0 34,073 5,571 678/4 +11/2 688/0 678/4 15,865 2,862 684/5 +10/0 652/4 884/4 7,577 1,036 680/2 +11/0 669/0 568/2 8,433 1,015 SOYABEAN OIL CBT (60,000fbs: cents/b) 27.17 +0.07 27.53 27.18 1.916 27.35 +0.09 27.68 27.33 42.917 27.40 +0.09 27.70 27.40 16.716 77.55 +0.16 27.75 27.55 10,202 1,027 27.70 +0.18 27.85 27.88 6,511 102 27.76 +0.21 27.90 27.75 3,383 205 E SOYABEAN MEAL CBT (100 tons; \$/ton) POTATOES LCE (E/tonne)

Jen Jen Apr May Total -1.5 272.0 267.0 1,250 139 1725 627 1615 563 1670 99 1880 1,147 1650 707 1525 171 +10 1750 +15 1710 +5 1890 +15 1895 +5 1670 +25 1525

- 200.0 200.0

Nerts and Seeds
1994 crop prices from Kenido Group; § a
tonce, harrier petrachics 26/28 raw (in shell)
neturally opened (round) 3,700 FOT MEP. New
crop 3,450 C&F/FOT MEP (available December), tases crop estimate 200,000 tonnes. US
almonds (shelled) 29/35 - new crop price at
6,850 FOB, up on smaller-tren-expected yield.
US welnuts (shelled) light halves and picces;
196 crop 5,400 FAS - firm; main harvest nearly
compete but quality and quartitly below specialisms, incline cashews W320 (raw) 8,220 FOT
Rotterdam in transit - lower, and Biolly to fall
further, Turkish Hazelnut learnels 13/15 stanfard 1s; 195 crop at 3,250 C&F MEP - quiet. Housemann in users in - lower, and amony to teat further. Turkish Hazelmut (somels 13/15 stan-dard is; "86 crop at 3,250 C&F MEP - quiet. Surflower seeds "95 crop: Konsess 22/64 at 840 CFF MEP, b. Delecta 20/64 at 730. Destocated coconut 1,010 FOB Manils - rising.

882 26,078 2,888 913 32,031 2,056 932 14,750 480 949 4,234 91

1284 1317 1340 1360 1381 1248 28,457 8,184 1285 20,508 4,133 1308 8,179 238 1332 3,542 10 1352 6,002 94 1390 5,904 24 1290 1325 1340 1369 1376 1380 +33 +30 +29 +29 +29 +29 E COCOA (ICCO) (SDR's/torne) 
 2323
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 2242
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 2210
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 +31
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 2965
 2,301
 255

 2085
 +20
 2078
 2055
 406
 55

 2035
 +20
 2050
 2035
 160
 107
 ■ COFFEE 'C' CSCE (37,500(bs; cents/lbs)

119.90 +2.10 129.75 116.20 17.153 7.270 117.20 +1.70 118.25 114.20 9.142 1.889 116.65 +1.70 117.00 114.25 2.362 289 117.25 +1.75 117.50 114.50 370 90 118.40 +1.15 114.00 114.50 285 52 116.40 +1.15 114.00 114.50 58 5 ■ No7 PREMARM RAW SUGAR LCE (cents/lbs) 350.20 +10.1 349.5 338.8 10.017 326.30 +6.4 326.0 320.0 11.234 319.80 +3.9 319.3 316.2 3,327 E SUGAR '11' CSCE (112,000lbs; cents/fbs)

110,163 10,799 COTTON NYCE (50,000lbs; cants/lbs) 84.68 -2.00 85.10 84.68 31,103 4,445 85.52 -2.00 85.70 85.52 16,123 1,327 88.40 -2.00 87.50 86.40 6,884 248 85.65 -2.00 87.50 86.65 5,250 82 79.15 -1.00 .79.15 79.10 1,323 75.90 -0.38 76.05 75.71 5,581 TO ORANGE JURGE NYCE (15,0000bs; cents/fbs) 114.85 -0.40 117.00 114.50 10.267 1,146 117.15 +0.25 118.25 116.50 7,948 1.403 120.20 +0.70 120.50 119.25 2,472 122.40 +0.65 122.50 121.85 1,206 501 303 124.90 +0.80 124.00 124.00

YOLUME DATA Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CME, CSCE and IPE Crude Oil are one INDICES

■ REUTERS (Base: 18/9/31=100) Oct 10 month ago year ago 2077.8 2124.6 2043.5 EL CRB Futures (Base: 1967=190) Oct 10 239.74 Oct 10 Oct 9 month ago 239.74 239.59 240.33 E GSCI Spot (Base: 1870=100) Oct 9 month ago 180.41 181.85 Oct 10 180.40

MEAT AND LIVESTOCK LIVE CATTLE CME (40,000lbs; cents/lbs

65,600 +0,025 65,800 65,375 8,281 3,751 67.325 -0.250 67.850 67.850 27.131 68.300 -0.125 68.600 66.200 13.569 68.300 -0.060 68.550 66.225 7.972 62.375 -0.125 62.775 62.375 2.739 48.425 - 48.700 48.100 5.553 1.151 48.350 +0.025 48.675 46.125 13,030 2.199 48.475 +0.350 48.750 48.250 6.980 407 47.925 +0.475 48.150 47.856 2.230 167 52.475 +0.575 52.875 51,900 2.553 77 51,000 +0.750 51,000 50,300 1,127

# PORK BELLIES CME (40,000lbs; cents/fbs) 59.475 +0.825 59.750 58.950 5,403 59.625 +0.800 59.700 58.900 60.500 +0.900 80.700 80.050 81,400 +0.600 61,500 61,000 59,350 +1,000 59,350 59,350

**LONDON TRADED OPTIONS** 

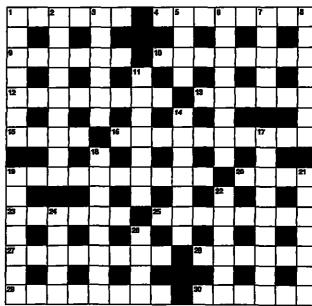
LONDON SPOT MARKETS IN CRUDE OIL FOB (per barrel/Nov)

Brent Blend (detect Brent Blend (Nov) W.T.I. (1pm est) \$16,06-6,08 E OIL PRODUCTS NWF rompt delivery CIF (tonne) \$172-173 Heavy Fuel Of E OTHER

Gold (per troy oz) \$
Silver (per troy oz) \$
Platinum (per troy oz.)
Paliadium (per troy oz.) Ung. 41.750 Copper (US prod.) Tin Kuala Lumburi 292.5c -4.0 Cattle (live weight)† Sheep (live weight)† A Pigs (live weight)† 124.32p 100.29p 98.42p -0.66° -1,04° +0.72° \$295.8 \$383.0 Lon. day sugar (raw Lon. day sugar (wte) Barley (Eng. feed) Maize (US No3 Yellon Wheet (US Dark North Rubber (Nov)♥ Rubber (Dec)♥ Rubber (KL RSS No1) +1.25 +1.5 Coconut Oil (Phil)§ Copra (Phil)§ Soyabeans (US) Cotton Outlook'A' index +0.20

No.8,890 Set by DANTE

**CROSSWORD** 



(6) 4 Unremittingly faithful? (8) 9 Left in play (6)

10 Treatment that is always on 11 Supporter and friend, accordhand (8) 12 Thankful to have finished one's duty (8)

13 Consents, but will be a long time coming round again (6)

the rent perhaps (7)

17 Features in many a police investigation (9) 15 Welshman's making a stand

(4) 16 It's the art of making decisions, of course (10) 19 Char works overtime to wipe off debts (5.5) 20 Saline drip? (4) 23 Father in pain, but brave (6) 25 Paid back though completely

in the red (8) 27 The case of the blackleg poet (8) 28 It's used to lift - or bring

down (6) 29 A port to impress a sailor (8) 80 Opened by patients perhaps, possibly shut by the doctor

1 Like sheep are in a shed (7) 2 As art it is clearly not yet

3 The Spanish just formed a

LAWRENCE TBERTA
I E N A E N
FIJELDING FRAYED
T K U D R N E
ENLARGED VIGOUR
D Y E L A E L S
GALINBRIDGE SAUINBRIDGE A F S B T S B N GALSWORTHY R E I A R S A U EATING BATTIGAM E C D C A A L INHALE SILLITGE

6 Fish and insects turn a drab

7 Divert a group of emus (5)

14 He provides French wine with

18 Sacked, no doubt (2.3.3) 19 Under a hundred girls make up the school (7)

21 Colours blended in Dresden

22 Flexi-time for the violinist or

24 A question a scholar gets on Jordan's only seaport (5) 26 Article about a piece of land

Solution 8,889

tuba player (6)

trial opens (7)

#### INTERNATIONAL CAPITAL MARKETS

# Stronger dollar provides lift for Europe

By Antonia Sharpe and Conner Middelmann in London and Maggie Urry in New York

The stronger dollar helped Europe's high-yielding bond markets rise yesterday as the resulting weakness in the D-Mark allowed their own currencies to recover. Italy showed the biggest rise of about a half-point while Spain and Sweden experienced smaller gains.

#### GOVERNMENT **BONDS**

The movements on the foreign exchanges caused a general compression of yield spreads over 10-year German government bonds, with Italy coming in to 528 basis points from 535 hasis points and Spain to 435 basis points from

Alain Juppé would not be prosecuted over the alleged provision of housing to his family members also helped the French bond market recover about a quarter-point and the 10-year spread over Germany narrowed to 94 basis points from 105 basis points.

Mr Kirlt Shah, international strategist at First Chicago, said the spread could tighten to 80 basis points because the market had been oversold in the last week. However, since the government's long-term probms remained acute, he forecast the spread would widen back to 110 basis points over the next month.

Mr Mark Fox, chief Euro-pean strategist at Lehman Brothers, said there had been some switching into French government bonds from Ger-

442 basis points. News that many yesterday. However, the French prime minister Mr news on Mr Juppe did not mean that the government's economic issues had been solved. "The government has made two fundamentally incompatible promises - to control the budget deficit and to reflate the economy and lower unemployment." Mr Fox said. "The market cannot see

how the government will do

■ In Germany, the Bundesbank continued its recent trend of cutting the repo rate when it lowered the rate to 4.03 per cent from 4.05 per cent. However, analysts detected a slowing in the trend and said the Bundesbank would try to keep the rate at about 4 per cent for now.

■ UK government bonds ended the day marginally lower, with day as dealers awaited the

the December long gilt future on Liffe shedding is point to end at 105%. In the absence of marketmoving data, dealers were

focusing on today's release of September retail prices. In the wake of Monday's disappointing producer price data, the market is a bit edgy ahead of the RPI - people are worried that the price pressures seen in the PPI could feed into retail prices," said Mr Jonathan Loynes, UK econo-

mist at HSBC Greenwell. Headline RPI is forecast to have risen to 3.7 per cent from 3.6 per cent in August, with the rate excluding mortgage interest payments seen rising to 3.0 per cent from 2.9 per cent in August.

■ Trading in the US Treasury

figures for September and tomorrow of the consumer price index and retail sales

Near midday, the benchmark 30-year Treasury was unchanged at 105%, to yield 6.436 per cent. At the short end, the two-year note was up  $\frac{1}{32}$  at 100, yielding 5.732 per cent. Volumes were thin. Dealers are looking to the economic statistics for more

evidence that the economy is heading for a soft landing -where the desirable combina-tion of low inflation and sustainable growth is achieved. The market could take heart

from comments by Mr Alan Blinder, vice-chairman of the Federal Reserve, that it was "a bit premature" to declare victory on a soft landing, but that with each passing month it "looked more and more likely".

## **Ministers** agree on investment facility

By Canute James in Kingston

Commonwealth finance ministers have agreed to establish a fund which will raise capital for investment in the private sector in developing Commonwealth countries. It will make equity investments in companies which are being divested and expanded.

The facility will be a co-ordination of several regional funds, starting with an African fund next year, to be fol-lowed by another in either the Caribbean or the Indian subcontinent

The fund will be started with \$25m seed capital pro-vided by the Commonwealth Development Corporation. which will manage the facil-ity. The CDC is a UK statutory corporation which provides development capital and investment finance for projects in several countries.

Another \$25m will be raised from within the Common-wealth, providing what Mr Robert Binyon, the CDC managing director, said was the critical mass" needed to get

the facility going.
A further \$25m will be sought on the international financial markets after the Commonwealth fund starts

"The fund will be operated on a strictly commercial basis," Mr Binyon said after the plan was endorsed by the Commonwealth finance ministers at their meeting in Kingston. "It will not be aid. It will deal with viable companies which want to expand and not

just to refinance." The regional equity fund for Africa will be established by the middle of next year, providing capital for expanding privatised or privatising comparries and small and mediumsized private sector busi-

# Nigerian arm of Mobil set to raise \$300m in offering

By Paul Adams in Lagos and Antonia Sharpe in London

Mobil Producing Nigeria, an arm of the US oil company, is raising more than \$300m through a private offering of long-term notes in the US market to help finance its natural gas liquids (NGL) joint venture with the Nigerian government. The offering, which is being arranged by First Boston, has

received an investment-grade rating from Moody's, the international credit rating agency. Bankers said it was the first investment-grade transaction to come out of sub-Saharan Africa. The offering is structured so that the repayment of the notes is linked to the project it is financing. Similar natural resources related offerings have emerged in recent years from Venezuela, Argentina and Mexico.

In Mobil's case, it is the Oso phase two project, launched in February as a joint venture between Mobil, with 51 per cent, and the state-owned Nigeria National Petroleum Corporation (NNPC), which holds the remainder.

Oso phase two will extract and export NGL from the offshore Oso condensate field and is due to be complete in three years' time. It will produce an estimated 50,000 barrels a day for export, about one per cent of world consumption. The main construction contract, worth \$665m, has been awarded to a consortium led

by ABB Lummus Crest. The transaction has enabled Mobil to get round the block on external finance for Nigerian projects in which the government has a stake. In addition, by getting third-party investors to finance its share of the project, Mobil has shed its

Nigerian risk. Official credits from the governments of the US and Europe have dried up in recent years because Nigeria's military regime has refused to hand

over to civilian rule. Nigeria has accumulated arrears of about \$100m in debt service to the Paris Club of creditor governments in recent years and its debts are continuing to mount because of the government's mismanagement of the oil industry.

NNPC's arrears in paying its 58 per cent share of the oil industry reached \$1bn last year, but the government has refused to reduce its 58 per cent stake in the joint ventures, which produce about 2m barrels a day.

Oso phase one developed the field for condensate production and was completed with financing from the World Bank and its private-sector arm Interna-tional Finance Corporation (IFC) in 1992. Since then, there has been no new money from the World Bank nor from the US Eximbank.

Nevertheless, Mobil sees enormous potential in both oil and gas in Nigeria, which has proven oil reserves of 20bn barrels and gas reserves of 110.000bn cubic feet. Mobil's joint venture with NNPC is the second-largest producer of oil with production peaking last year at 437,000 barrels a day, including condensate. It is beginning exploration this year on new deep water blocks. which may prove to have even

greater reserves. Mobil's Oso condensate project was the first in Nigeria which guaranteed repayment by placing the Nigerian government's 60 per cent share of the export proceeds in offshore

escrow accounts. The Nigeria LNG project, a \$3.6bn liquefied natural gas project led by Shell, for which the main contracts are due to be awarded in November, is using the same procedure.

Oct 11 Oct 10 Yr. ago Oct 11 Oct 10 Yr. ago Oct 11 Oct 10 Yr. ago

# **Abbey National** in \$750m issue

By Conner Middelmann

Abbey National, the UK home loans and banking group, yesterday launched its longawaited offering of \$750m of 10vear subordinated bonds.

#### INTERNATIONAL BONDS

The deal follows last week's £300m issue of preference shares and perpetual subordinated debt. According to Mr Gareth Jones, Abbey National's treasurer, the issues are "not unconnected" to its planned £1.35bn purchase of National Provincial Building Society. They also follow the \$285m cash acquisition of First National Finance Corporation. the consumer credit and com-

mercial lending group. After Abbey's successful \$500m Yankee bond market debut last year, there had been

7.88 9.13 7.29 8.92 8.93 9.95 4.48 8.76 7.42 7.82 7.75 7.82 8.00 6.03 7.90 6.82 8.14 to 8.15 1013 1092 963,21 1094 1094 1113, 1113, 1153, 783, (0843)3

Over Fiftnets Yours
Triese 5 1/4pc 2010.
Com Spc Lu 2011 ±±
Triese 5pc 2012±‡
Triese 5/2pc 2010±12‡
Triese 5/2pc 2010±12‡
Triese 6/2pc 2010±1
Triese 6/2pc 2017±‡
Each 12pc 2013–17

-4 888 -4 1114 -3 1113 -4 804 -4 983 -2 1025 -3 1103 -4 1393

9.60 8.19 8.65 11.76 10.33 10.34 10.81 9.70 4.26

8.33 8.33 8.00 8.34 8.34 8.32 8.32 8.37 62 % 105 % 105 % 76 % 96 % 94 % 98 % 103 %

> 46 Å 41 Å 53 Å 25 Å 29 Å 444 40[] 45] 61] 37] 31] 31] 31]

8.49 5.23 8.48 8.39 8.47

talk that it would tap the domestic US bond market

However, "while we have worked hard at opening credit lines with US investors in the last 12 months, and saw good demand for the issue there, we didn't want to neglect our more traditional investors in Europe and Asia", Mr Jones said. "There was very good demand from all three

Abbey National has kept a lower profile this year than last, having raised just over \$3bn since January 1, compared with \$9bn last year. "We felt we'd done a lot last year and needed the market to settle down - you don't want to oversupply it." said Mr Jones. The bonds are expected to be priced today at a spread of 63 to 64 basis points over Trea-suries; Goldman Sachs and Lehman Brothers are joint

_	Amount	Coupon	Price	Metority	Fees	Spread	Book runner
Borrower US DOLLARS	W.	%			%	рþ	
Abbey National(d)	750	(d)	(d)	'Oct.2005		_	Goldman Sachs/Lehman Br
Fannie Mae(e)	500	6.254	99.969R	Oct.1998	0.158	-45 (57-96-9R)	Gld. Sachs/Memil Lynch
Chemical Mester CC Tst 1fi)	500	(1)	(1)	Oct. 1998	-	-	Chemical Securities
Chemical Master CC Tst 1to)	500	ia)	(a)	ia)	-	-	Chemical Securities
B Schleswig-Holstein(b)	200	6.00	99.68R	Nov. 1999	0.225R	+12 (b)	BNP Capital Mics.
SIDERAR SAIC	60	11.0#	100.00R	Oct, 1997	0.75R	•	Crubank Intl.
GECC(a)	50	6.625	100.82R	Sep.1998	0.25P	+37 (5%%-98)	Paribas Captal Mins.
IWISS FRANCS							
Deutsche Ausgleichsbank	150	4.375	102.125	Nov.2004	-	-	Banca del Gottardo
OSL Bank(c)	150	4.25	103.00	Dec.2002	-	-	Credit Suisse
vlenn™ Lynch & Co	100	4.25	101.725	Dec.2001	-	-	Mentil Lynch/B.Gottarco
/oreriberger Bank	100	4.125	102.75	Dec.2001			Banca del Gottardo
DANISH KRONER		_		-			
Commerzbic Overseas Fin.NV(h)	400	7.50	101.75	Nov.2001	1.875		Kredietbank
Bus Ders General Electric Capitalic)	250	5.375	99.78R		0.225R		SBC Warburg

Another successful global dollar issue came from the US Federal National Mortgage Association (Fannie Mae). which issued \$500m of 6.25 per cent three-year callable bonds. priced to yield 45 basis points over Treasuries, via Goldman Sachs and Merrill Lynch. According to the lead managers, the deal met with strong European and US demand.

Asian demand was muted. The Asian Development Bank is set to launch its widely flagged \$750m 10-year global offering today, at a likely spread in the mid-20s over Treasuries, while Chemical Securities is to price a \$1bn asset-based deal for Chemical Master Credit Card Trust. Elsewhere, Electrobras, the

Brazilian electricity holding

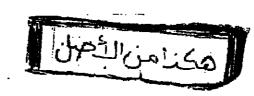
company, is expected to issue \$100m and Y10bn of three-year bonds in the coming days. The dollar bonds are expected to be priced at a spread of 415 to 425 basis points over Treasuries. ABN AMRO Hoare Govett is likely to lead the dollar issue, which will have 144a placement in the US, and the yen deal is to be led jointly by ABN and Daiwa Europe.

Pince Indices UK Gilts

FT-ACTUARIES FIXED INTEREST INDICES Wed Day's Oct 11 change is

debut fast year, there had been leads.	European and OS demand. Brazman electricity holding
WORLD BOND PRICES	
BENCHMARK GOVERNMENT BONDS	■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%
Red Day's Week Month	Strike CALLS PUTS
Coupon Date Price change Yield ago ago	Price Nov Dec Jan Mer Nov Dec Jan Mer 9500 0.67 0.97 0.82 1.15 0.20 0.50 0.94 1.27
Australia 7.500 07/05 92.8100 -0.310 8.50 8.57 8.91 Austria 6.875 06/05 99.1800 -0.020 6.99 6.93 6.97	9500 0.67 0.97 0.82 1.15 0.20 0.50 0.94 1.27 9550 0.37 0.68 0.60 0.92 0.40 0.71 1.22 1.54
Belgium 6.500 03/05 95.5100 -0.080 7.16 7.02 7.16 Canada 8.750 12/05 107.3000 -0.350 7.70 7.72 8.01	9600 0.17 0.45 0.42 0.73 0.70 0.98 1.54 1.95
Denmark 7 000 12/04 93.8600 +0.020 7.96 7.82 7.99	Est. vol. lotal, Calla 10844 Pura 17006. Previous day's open int., Calls 198830 Purs 162934
France BTAN 7.750 04/00 103.5000 +0.125 6.87 6.73 6.54 OAT 7.750 10/05 101.3800 +0.220 7.55 7.46 7.34	Italy
Germany Bund 6.875 05/05 101.8300 -0.150 6.60 6.55 6.64 Ireland 6.250 10/04 67.5000 +0.100 8.26 8.12 8.22	III NOTIONAL ITALIAN GOVT. BOND (STP) PUTURES (UFFE' Line 200m 100ths of 100%
Italy 10.500 04/05 94.0900 +0.440 11,54† 11,52 11,54	Open Sett price Change High Low Est. voi Open int.
Japan No 129 6.400 03/00 119.8110 -0.210 1.60 1.46 1.99 No 174 4.600 09/04 113.0530 -0.570 2.78 2.55 3.03	Dec 101.37 101.96 +0.44 102.10 101.22 38297 45419
Netherlands 7.000 06/05 102_2000 -0,100 6.68 8.60 6.67	Mar · 101.61 +0.44 0 45
Portugal 11.875 02/05 103.1300 +0,050 11.29 11.18 11.36 Spain 10.000 02/05 94.3600 +0.170 10.98 10.85 11.02	ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lra200m 100ths of 100%
Sweden 6.000 02/05 79.2900 +0.211 9.43 9.34 10.29 UK Gilts 8.000 12/00 101-17 -6/32 7.53 7.42 7.49	Strike CALLS PUTS Price Dec Mar Dec Mar
8.500 12/05 102-10 -3/32 8.16 8.00 7.95	10150 1.60 2.50 1.14 2.39
9.000 10/08 105-27 -2/32 8.26 8.12 8.04 US Treasury 6.500 98/05 102-28 -11/32 6.11 6.11 6.23	10200 1.34 2.26 1.38 2.65 10250 1.10 2.04 1.64 2.93
6.875 08/25 105-21 -11/32 6,44 6,46 6,61 ECU (French Govi) 7,500 04/05 97,9400 +0,260 7,80 7,70 7,66	Est. vol. sotal, Calls 4520 Puls 1643, Previous day's open int., Calls 38578 Puls 42062
London closing, "New York mid-day Yelds: Local practical standard.	Spain
† Gross (including withholding tax at 12.5 per cent payable by normalidade) Proces US, UK in 32nds, others in decimal Source: MMS Interreptoral	NOTIONAL SPANISH BOND FUTURES (MEFF)
HE INTEGECT DATES	Open Sett price Change High Low Est, vol. Open int.
US INTEREST RATES	Dec 88.10 88.38 +0.17 88.42 88.04 32,384 29.599 Mar 87.95 88.35 -0.40 87.95 87.95 1 8
Latest Treasury Bills and Bond Yields One month	Mar 87.95 88.35 -0.40 87.95 87.95 1 8 UK
Proper rate 81, 1940 month 5.66 Three year 5.87 Stroker leap rate 712 Three year 5.82	NOTIONAL UK GILT FUTURES (LIFFEY \$50,000 32nds of 100%
Feet funds at intervention. One year 5.61 30-year 5.44	Open Sett price Change High Low Est. vol Open int.
• •	Dec 104-30 105-04 -0-02 105-11 104-24 48455 97677 Mar 104-21 104-18 -0-03 104-21 104-21 20 248
	LONG GILT FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%
	Strike CALLS PUTS Price Nov Dec Jen Mar
BOND FUTURES AND OPTIONS	Price Nov Dec Jen Mar Nov Dec Jen Mar ] 105 0-47 1-15 1-17 1-53 0-39 1-07 1-45 2-17
	106 0-20 0-49 0-54 1-25 1-12 1-41 2-18 2-53
_	107 0-07 0-28 0-35 1-03 1-63 2-20 2-63 3-31 Est. vol. rytal, Calls 3075 Puts 2820 Provious day's open int., Calls 34637 Puts 28361
France	• • • • • • • • • • • • • • • • • • • •
MOTIONAL FRENCH BOND FUTURES (MATIF) FF/500,000  Open Sett price Change High Low Est, vol. Open Int.	ECU BOND FUTURES (MATIF) ECU100,000
Open Sett price Change High Low Est. vol. Open Int.  Dec 114.80 115.16 +0.28 115.24 114.80 139,533 97,9318	Open Sett price Change High Low Est. vol. Open int.
Mar 114.30 114.66 +0.24 114.66 114.20 1,315 3,800	Dec 86.00 86.30 +0.22 86.40 86.86 1,871 7,652
Jun 11448 11440 -0.20 11448 11440 59 1,418  E LONG TERM FRENCH BOND OPTIONS (MATIF)	
Strike —— CALLS ——— PUTS ———	US
Price Nov Dec Mer Nov Dec Mar	US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%
114 1.32 1.72 - 0.18 0.60 1.30 115 0.85 1.10 - 0.48 0.97 1.75	Open Latest Change High Low Est. vol. Open int.
118	Dec 115-19 115-17 -0-03 115-20 115-10 198,177 241,992 Mar 115-02 115-04 -0-05 115-06 114-31 1,479 15,845
118 - 0.13	Jun - 114-26 261 3,379
Est. vol. total, Calle 14,207 Puts 17,554 . Previous day's open Inc., Calls 141.013 Puts 153,260.	lana
Germany	Japan II notional long term Japanese govt, bond futures
NOTIONAL GERMAN BUND FUTURES (LIFFE)" DM250,000 100ths of 100%	(LIFFE) Y100m 100ths of 100%
Open Sett price Change High Low Est. vol. Open Int.	Open Close Change High Low Est vol Open int.  Dec 120.40 - 120.55 120.38 2000 0
Dec 95.46 95.47 -0.14 95.60 95.32 116963 187502 Mar 94.85 94.88 -0.14 94.86 94.79 417 4086	Mar 119.40 119.43 119.40 180 0
	* LIFFE futures also baded on APT. All Open interest liga, are for previous day.
UK GILTS PRICES	
Yleid	inid
Shorts** (Lives up to Five Years) Conv 9 ½ pc 2005 8.76	8.19108[3rd]; 111[3 103% Index-Lighted (b)
Treas 124pc 1995±1 12.69 6.751004xd 1047 1004 Treas 124pc 2003-5 8.98 14pc 1995	8.15 125 A - 128 119 20 76 - 57 9 9.89 3.30 212 H + 213 201 6 8.15 102 A 108 27 4 48 28 1 - 135 22 3.33 111 5 - 112 106 6
154 pc 1996## 14.55 654 104590	8.15 952 -3 969 952 25 25 27 78 324 370 1761 -1 1734 1613
Trees 134 pc 1997## 12.28 6.65 107## 1098 107## 8.12	8.22 984 - 994 924 44 50 044 135 3 39 27 1134 1193 1094 820 885 - 4 1012 994 90 106 - 895 3.42 358 179 -4 1854 1864 812 1194 -3 1239 1134 220 106 - 70.89 3.42 358 179 -4 1854 1864 812 1194 -3 1239 1134 220 107 70.89 354 373 1684 -4 1893 152 38 32 31 31 31 31 31 31 31 31 31 31 31 31 31
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#### CURRENCIES AND MONEY

#### MARKETS REPORT

# Franc rallies as Juppe avoids prosecution

#### By Philip Gawith

The franc rallied on the foreign exchanges yesterday when it was announced that Mr Alain Juppe, the French prime minister, would not be prosecuted for an offence committed concerning his housing lease.

Mr Juppe's political woes precipitated a fall in the franc last week, so news that he would avoid prosecution, which would almost certainly have precipitated his resignation, was well received. But with the franc's troubles widely believed to be economic in nature, there was little sense that the currency had gained anything other than a short term respite.

The franc gained two cen-times to finish in London at FFr3.487 against the D-Mark from FFr3.506. The relative strength of the franc spread to other European cross-rates, with the D-Mark losing ground across the board. Against the Italian lira it closed at L1,128

The dollar finished slightly firmer against the weaker D-Mark, at DM1.4249 from DM1.4176. Against the yen it closed at Y100.855 from Y100.55. Activity was generally very quiet, with little fresh news to trade off other than

the Juppe developments. Sterling had a quiet day, closing at DM2.2415, from DM2.2364, and at \$1.5731 from \$1.5776. In Germany, the reporate fell a further two basis points to 4.03 per cent from 4.05 per cent.

The Mexican peso finished unchanged at 6.735 pesos against the dollar, after falling 20 peacs at the beginning of

A French franc crisis would

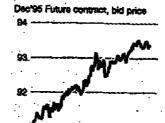
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not be complete without some withering official comment at the expense of foreign exchange traders. Yesterday it was the turn of Mr Jean Arthuis, the French finance minister, who said it was "despicable" that market ten-

sions lead to interest rate rises. Mr Arthuis said: "I think the markets are feeding off rumours and pecadilloes. There are operators who make a profit in a few hours...Our policy is a long-term one."

And Mr Francois Baroin, the government spokesman, said "the markets, mainly British and the US, wanted to stage a speculative run on the franc." He added that the French government "does not want to sac-rifice its public sector to meet the interests of foreign inves-

Mr Malcolm Barr, economist at Chemical Bank in London, said the next development would be the November 13/14 welfare debates, which would provide a further illustration of



#### government commitment to reining in state expenditure.

■ For those curious at the dollar's recent rangebound behaviour, a new explanation is on offer. It is trading close to fair value. Mr David Shaw, head of strategy at the investment management arm of Legal & General in London, has examined the paradox between the

US's huge trade deficit, and the Asian countries make up popular view that the dollar is rest of the FRB's top ten undervalued.

Price competitiveness of US exports as reflected in purchasing power parity (PPP) suggests the dollar is undervalued by about 27.5 per cent on its Bank of England tradeweighted index, and has been similarly undervalued for the past five years.

Mr Shaw, however, believes estimates of US price competitiveness are not accurate, because of defects in PPP as a benchmark; while the dollar's true international value is incorrect because 40 per cent of US exports are to countries not included in the Bank's TWL

The Federal Reserve Board of Dallas has an index weighted in proportion to the pattern of US trade. Whereas the top five countries in the Bank of England's TWI repre sent 80 per cent of the weights they only represent 48 per cent of the total in the FRB index Mexico and four South Eas

against all of these coun appreciated since 1990.

The FRB index suggests the Bank of England's undervalues the dollar b much as 12 per cent. ( that PPP estimates are "al certainly also overstating dollar's price competitives Mr Shaw concludes that dollar is trading close to value. The corollary is there is "no prima facie ju cation for any further tained dollar advance."

■ The Bank of England vided £555m assist: towards clearing a £750m market shortage

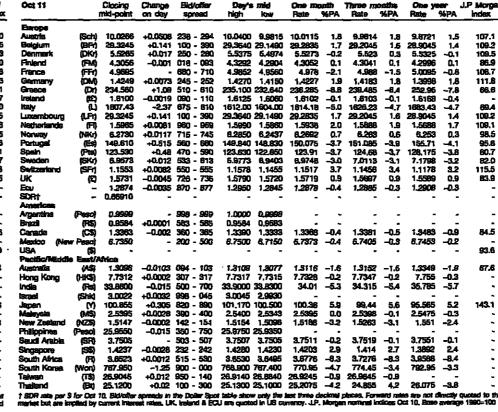
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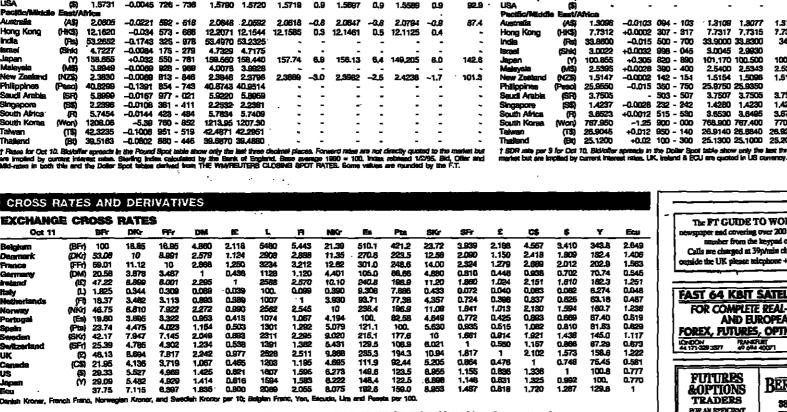
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	Sterling Swiss Franc Can. Doller	634 115 634	- 9½ - 65 - 12   - 6	9 <sup>1</sup> 2 - : 6 <sup>3</sup> 4 - : 2 <sup>1</sup> 6 - : 6 <sup>2</sup> 6 - :	9% 91 6% 6% 11% 2% 6 6%	] - 明] - 明] - 明] - 2 - 64	9월 - 9월 6월 - 6월 2년 - 2년 6월 - 6년	9월 - 6월 - 일, - 6일 -	91 <sub>2</sub> 64 6명 6명	6% - 6% 2% - 2% 6% - 6%
	Sterling Swiss Franc Carl. Doller US Doller	634 125 634 534	- 6 <sup>3</sup> 6 - 6 <sup>5</sup> 8 - 132   - 6 - 5 <sup>1</sup> 2	9 <sup>1</sup> 2 - : 6 <sup>1</sup> 4 - : 2년 - 6년 - 511 - :	9% 9년 6% 6월 1월 2 8 8 5월 57	2 - 8号 - 8号 - 8号 - 8号 - 8号 - 6号	8월 - 9월 6월 - 6월 24 - 24 6월 - 64 5월 - 54	993 - 611 - 24 - 61 <sub>2</sub> - 515 -	91 <sub>2</sub> 64 21 <sub>5</sub> 64 54	6% - 6% 2% - 2% 6% - 6% 5% - 5%
Morgan	Sterling Swise Franc Carl. Doller US Doller Italian Line	634 128 634 534 828	- 6 <sup>3</sup> 6 - 6 <sup>3</sup> 6 - 16 <sup>3</sup> - 6 - 5 <sup>3</sup> 2 - 8 <sup>3</sup> 6	9 <sup>1</sup> 2 - 1 6 <sup>3</sup> 4 - 1 2 <sup>1</sup> 6 - 1 5 <sup>1</sup> 3 - 1 10 <sup>3</sup> 8 -	9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	2 - 84 - 64 4 - 2 1 - 64 1 - 64 1 - 64	8월 - 9월 6월 - 6월 24 - 24 6월 - 64 5월 - 54 10월 - 10월	96 - 61 - 24 - 55 - 104 -	91 <sub>2</sub> 634 21 <sub>8</sub> 63 <sub>9</sub> 54 105 <sub>8</sub> 1	6% - 6% 2% - 2% 6% - 6% 5% - 5%
	Sterling Swiss Franc Can. Dollar US Dollar Italian Line Yan	64 18 64 54 84	- 8 <sup>2</sup> 6 - 6 <sup>2</sup> 6 - 6 <sup>2</sup> 12 - 8 <sup>2</sup> 2 - 12	9 <sup>1</sup> 2 - 1 6 <sup>1</sup> 4 - 1 2 <sup>1</sup> 4 - 6 <sup>1</sup> 5 - 5 <sup>1</sup> 5 - 1 10 <sup>3</sup> 8 - 3	9	2 - 84 - 64 - 64 - 64 - 64 - 7	9월 - 9월 6월 - 6월 24 - 24 6월 - 64 5월 - 54 10월 - 10일 참 - 참	96 - 61 - 24 - 62 - 55 - 104 -	9 <sup>1</sup> 2 6 <sup>1</sup> 4 2 <sup>1</sup> 5 6 <sup>1</sup> 8 5 <sup>1</sup> 4 10 <sup>1</sup> 8 1	6% - 6½ 2½ - 2½ 6% - 6½ 5% - 5½ 10% - 10%
Morgan ndex	Sterling Swiss Franc Can. Doller US Doller Italian Line Yen Asian \$Sing	54 115 54 54 85 3	- 936 - 656 - 162 - 6 - 512 - 513 - 12	9 <sup>1</sup> 2 - : 6 <sup>1</sup> 4 - : 2 <sup>1</sup> 4 - : 6 <sup>1</sup> 5 - : 10 <sup>3</sup> 5 - : 2 <sup>1</sup> 5 - :	9% 94 6% 64 118 2 8 84 514 10 10 10 10 21 21 21 21	- 84 - 84 - 2 - 54 - 54 - 10 - 7 - 2	명을 - 9월 6월 - 6월 24 - 24 6월 - 64 5월 - 54 10월 - 70일 1 - 1 2월 - 2월	968 - 6H - 612 - 555 - 104 -	9 <sup>1</sup> 2 6 <sup>1</sup> 4 2 <sup>1</sup> 5 6 <sup>1</sup> 8 5 <sup>1</sup> 4 10 <sup>1</sup> 8 1	6% - 6% 2% - 2% 6% - 6% 5% - 5%
Morgan ndex	Sterling Swiss Franc Can. Dollar US Dollar Italian Line Yan	61, 118 61, 51, 84, 14, 3 -	- 936 - 656 - 163 - 6 - 532 - 53 - 32 for the	9 <sup>1</sup> 2 - 6 <sup>1</sup> 4 - 6 <sup>1</sup> 5 - 6 <sup>1</sup> 5 - 10 <sup>1</sup> 5 - 2 <sup>1</sup> 5 - 10 <sup>1</sup> 5 -	9½ 91 6% 6% 6 112 2 8 6 5 5 104 10 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1	1 - 913 2 - 613 4 - 2 1 - 64 1 - 64 1 - 104 1 - 16	마음 - 9월 6월 - 6월 2월 - 2월 6월 - 6월 5월 - 5월 10월 - 70일 년 - 년 2월 - 2월	968 - 614 - 61 <sub>2</sub> - 515 - 104 - 3 - 1	912 64 21 <sub>8</sub> 64 54 105 1	6% - 6% 2% - 2% 6% - 6% 5% - 5% 10% - 10% 5% - 12 3% - 3%
Morgan ndex	Sterling Swiss Franc Can. Doller US Doller Italian Line Yea Asten \$Sing Short term rate	61 11 61 51 82 3 3 3 3 80 80 80 80 80 80 80 80 80 80 80 80 80	- 9 % - 6 % - 15 % - 5 % - 5 % - 2 % for the	9 <sup>1</sup> 2 - : 6 <sup>1</sup> 4 - : 6 <sup>1</sup> 5 - : 5 <sup>1</sup> 5 - : 10 <sup>3</sup>	9½ 9½ 6% 6½ 1½ 2 1½ 5 10, 10 10, 10 1, 10 1, 2 1, 2 1, 2 1, 2 1, 2 1, 2 1, 2 1, 3 1, 4 1, 4 1, 4 1, 4 1, 4 1, 4 1, 4 1, 4	- 913 - 614 - 64 - 64 - 54 - 7 - 7 - 7 - 104 - 7 - 7 - 104 - 7 - 7 - 104 - 7 - 7 - 7 - 104 - 10	9½ - 9½ 6½ - 6½ 2¼ - 2½ 6½ - 6¼ 5½ - 5¼ 10½ - 10½ £ - ½ 2½ - 2½ two days' ni Intertrank	96 - 61 - 24 - 61 - 51 - 104 - 2 - 3 - offered	912 64 21 <sub>8</sub> 63 54 105 1 28	6% - 6% 2% - 2% 6% - 6% 5% - 5% 10% - 10% 5, 12 3% - 3%
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WORLD INTEREST RATES

Three miles

# POUND SPOT FORWARD AGAINST Oct 11 Day's Mid high low 109.5 109.6 99.5 96.6 81.1 82.7 115.8 84.5 1.2220 -0.0001 212 - 227 1.2245 1.2187 1.2209 1.1 1.2187 1.1 1.2093 1.0 Argentone (Pesc) 1.5729 Brazi (RS) 1.5077 Cenada (CS) 2.1021 Mexico (New Paso) 10.5648 USA (S) 1.5731 Pacific/Mindia Esst/Africa 85.6 929 · Pacisici Markiel Elest/Affice Australia (AS) 2.0805 -0.0221 592 - 518 Hong Kong (HKS) 12.1620 -0.034 573 - 686 India (RS) 53.2652 -0.1743 325 - 978 ( Israel (Shiri) 4.7227 -0.0084 175 - 279 Japan (Y) 158.655 +0.032 550 -761 Maleyeia (MS) 3.8949 -0.0069 828 - 989 New Zestand (MS) 3.8949 -0.0069 813 - 846 Philippipes (Rec) 40.9393 -0.1384 884 - 243 20848 - 2.0532 2.0518 - 0.8 2.0547 - 0.8 2.0794 - 0.9





Switzerland	(SF		4.785		1.234 0.5				9.5	108.9	6.021	1	0.550	1.157	0.866		0.673
UK		2) 46,13	B.694		2,242 0.9				5.3	194.3 92.44	10.94 5.205	1.817 0.864	1 0.476	2.102 1	1.573 0.748		1.222 0.581
Cenade	(C		4.136		1.067 0.4 1.425 0.8				1 <u>.9</u> 9.6	123.5	6.955	1.155	0.896	1,336	1	100.8	0.361
US		n 29.33 n 29.09	5.527 5.482		1.420 U.0 1.414 D.6				8.4	122.5	6.898	1.148	0.631	1.325	0.992		0.770
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D-MARK	FUTURE	S (MM)	DM 125,000	per DM		<u> </u>		E JAPA	TEST	AEN IA		(IMM) Yen	<u> </u>		<u> </u>		
	Open	Latest	Change	High	Low	Est. vol	Open int.	_		Open	Lettest	Change	_				Open int
Dec	0.7074	0.7042		0.7088	0.7028	19,032	50,524	Dec Mar			0.9999 1.0148	-0.0044 -0.0063	1,005			11,626 104	57,867 8.752
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2 2 113 5 L						12,359	32,998	Dec		.5742	1.5712	-0.0030	1.575	2 1.56		9,613	36,259
Dec	0.8762	0.8713			0.8696 0.8770	12,359 38	2,202	Mar		.5680	1.5890	-0.0028				2	119
Mar	0.8782	0.8790		U.01 42	0.8860	1	51	Jen		4	1.5640	-		1.50		14	10
Jun	-	U.800U	•			•		<del></del>									
								EMS	EUF	ROPEA	N C	JRREN	CY UN	HT RA	TES	ì	
UK INT	ERES	T RAT	ES					Oet 11		Ecu cen		Rate	Change	% +/-	from	% spread	d Div.
LONDO		IEV R	ATES					1		redes	age	inst Ecu	on day	cen.	rate	v westas	st Ind.
Oct 11	e mo.	Over-	7 daya	One	Three	Six	One	Netheria	nd#	2,15214		.09683	+0.00303	-2,5		5.63	18
UGE II		night	notice	month	months	រាលឈើខ	_year	Belgkura		39.3960		8.5247	+0.0501	-2,2		5.45	18
		7% - 64	64 - 63	64 - 65	6년 - 8년	6뱒 - 6빛	64 - 64	Germany	•	1.97007		.87192	+0.00281	-2.0		5.21	20
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Sterling CDs		-		644 - 648				Denmerk Soain	•	182.483		£2.090	-0.141	-0.2		3.37	2
Treesury Bills		_	_	68 - 6%	65 - 68	812 - 8 <sup>1</sup> 2	-	Portugal		195.792		96.550	-0.012	0.3		2.72	-3
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Mer	93.36	93,37	-0.02	93.27	93.15	20921	44057	1.540	3.57	-	•	4.36	-	0.37	0.94
Jun	83.25	93.26	-0.04	93.09	92.93	13228	33401	1.550	3.57 2.57		.83	3.67	_	0.58	1.25
Sep	93,07	93.04	-0.06		92.73	7323	26472	1.560	2.57 1.88		L83 L04	3.07	-	0.79	1,62
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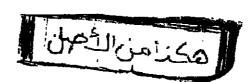
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#### LONDON STOCK EXCHANGE

# Takeover stories help equities stage good rally

By Steve Thompson, UK Stock Market Editor

Another flood of bid news, Wall Street's astonishing recovery on Tuesday evening, and the US market's resolute performance at the opening yesterday helped promote a strong rally in UK equities.

London remained extremely nervous, however, and dealers were quick to point out that sentiment remained fragile after the 50-point fall recorded on Tuesday.

There was also evidence that the market is expecting more problems in the short term after the FT-SE future stubbornly remained at a heavy discount to fair value

throughout the session.
At the close, the FT-SE 100 index had regained almost a third of Tuesday's losses, settling a net 14.2 higher at 3,474.3. The Mid 250 index recouped 16.6 at 3,919.8.

As trading drew to a close, the market was buzzing with hints that another bid was imminent in the regional electricity stocks, a happy hunting ground for predators since the summer.

Speculators alighted on London Electricity, which was rumoured to be the new target for the two Texas utilities, Houston Industries and Central & South West Corporation. The US group lost out to North West Water in the battle for control

Early yesterday, North West trumped the Texas partners' bid for Norweb. A sparkling performance by Norweb shares was eclipsed by the FT-SE 100's top performer, Lloyds Bank which sealed its merger with the TSB group to

establish the UK's second biggest

Marketmakers said institutions underweight in TSB, long regarded as a poorly-managed underperformer in the sector, had turned aggressive buyers of the stock as a cheap way into the newly-merged company. The day's other big takeover rumour concerned Gartmore, the fund management group, which

attention of Dresdner Bank. Wall Street's recovery on Tuesday, from an early 66-point plunge by the Dow Jones Industrial Average to end the session a mere five points lower, encouraged London

dealers to hoist their opening

The move proved successful, with the FT-SE 100 starting almost 16 points higher before sliding into negative territory in mid-morning. Marketmakers attributed the retreat to an almost complete absence of buying interest by the institutions, which preferred to wait until their was evidence that Wall

Street had seen off the big sellers of

to Great Universal Stores. The

shares firmed 8 to 568p as

Cazenove, the company's bro-

ker recommended the stock

Warburg said its move was

on "valuation grounds" point-ing to the stock's under-

performance over the last two

US buying interest helped

107p. Profit-taking left King-

fisher 4 lighter at 495p, though bargain hunters in Lloyds

Chemists helped the shares

jump 10 to 240p.
Vodafone, the UK mobile

phones leader, recovered

strongly as renewed life

flooded back into Europe's tele-

coms based sectors. Both Erics-

son and Nokia, the Nordic

bloc's high tech leaders,

rebounded strongly, helping

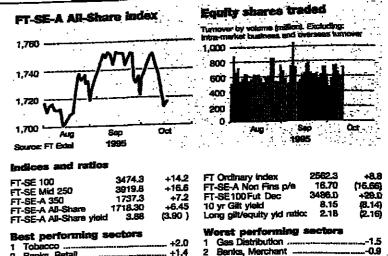
Vodafone to close to with a 71/2

With the Dow coming in firmer

slipping off and then moving ahead again, their was some "cheap buying" by UK institutions in the early afternoon when the FT-SE 100 reached a session peak of 3,480.9, before coming off again.

Turnover in equities reached 780.8m shares. Customer business on Tuesday was 21.97bn.

Dealers braced themselves for inflation news; the September retail price index is expected to show a 0.3 per cent rise on the month. And Mr Kenneth Clarke, the chancellor of the exchequer, delivers his keynote speech to the Conservative party conference in Blackpool.



## **Bid hopes** return to utilities

Never far away, takeover fervour returned to the utilities sector as North West Water raised its offer for Nor-

Despite earlier reports that the two 'Texas rangers' -Houston Industries and Central South West Corp · were locked in talks over a possible counter bid, most analysts believe North West's raised offer puts the regional electricity group beyond their reach. And Norweb later recommended acceptance of the bid.

The logical conclusion was that the US groups would retreat to regroup before coming back with an offer for one of the remaining independent recs. In terms of price moves, London Electricity was the market favourite with a rise of 35 to 898p. It was followed by Yorkshire, up 16 to 894p.

Norweb jumped 61 to 1147p to reflect the raise cash offer and volume of 35m suggested that North West Water had now acquired around 25 per cent of the group. NW Water fell 22 to 573p.

Turnover in Lasmo, the exploration and production company, surged to 20m shares as dealers latched on to news out of the Algerian oilfield in which Lasmo has a significant

Drilling reports suggested that the field might now have reserves of 1.5bn barrels, up 50 per cent on previous estimates.

Asia-

**Pacific** 

Australia

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Taiwan

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South Korea\*

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Lasmo shares improved 61/4 to

159p.
Details of the proposed merger between Lloyds Bank and TSB went down a storm and shares in both stocks hit new highs.

The meeting with analysts was positively received and the market latched on to the £350m of savings that the new group expects to achieve in four years time.

However, some analysts cautioned that the possibility of an Office of Fair Trading inquiry was still present and that the big two high street rivals National Westminster and Barclays were unlikely to sit back and allow the new enlarged Lloyds to take market share. If the deal goes through, an outbreak of flerce competition is widely predicted.

Lloyds rose 49 to 769p with 17m traded, TSB 19 to 369p on turnover of 26m, NatWest 101/2 to 612p and Barclays 2 to 727p. Tobacco to insurance conglomerate BAT Industries

lifted 11 to 544p on talk that it is poised to sell off its Farmers insurance subsidiary in the US or demerge its insurance operations and possibly make an acquisition. However analysts were cynical saying BAT needed financial services for tax reasons and the rumours tended to drift over from the options market.

Commercial Union improved 8 to 573p on potential good news over a French tax break which encourages business to its Groupe Victoire subsidiary and which has been threatened with the axe.

Insurance broker Bradstock jumped 9 to 61p in response to the recent news of a strategic alliance in Malaysia.

FINANCIAL

Media group WPP gained 3 to 148p on exceptionally heavy turnover of 15m. A large block of shares, which had been looking for a buyer, was finally cleared. Confectionery and soft drinks group Cadbury Schweppes, subject of bid speculation earlier this week, advanced 5 to 519p yesterday after trade of 3.1m, boosted by recommenda-

tions from two US investment Merrill Lynch is reported to be positive on the stock for the long term while Lehman Brothers has upgraded its recommendation from "underperform" to "outperform"

Analysts at Lehman said: "The successful acquisition of Dr Pepper/Seven-Up (DPSU) in March of this year marked the culmination of Cadbury Schweppes' ambition to build critical mass in the US soft drinks market.

A couple of recommendations helped bring an advance

#### FINANCIAL TIMES EQUITY INDICES

	Oct 11	Oct 10	Oct 9	Oct 6	Oct 5	Yr ago	'High	"Low	
Ordinary Share	2562.3	2553.5	2596.2	2612.9	2625.4	2382.0	2666.5	2238.3	
Ord. dlv. yleid	4.18	4.20	4.13	4,10	4.08	4.33	4.73	4.02	
P/E ratio net	15.40	15.35	15.61	15.73	15.81	18.65	21.33	15.35	
P/E ratio nal	15.22	15.17	15.43	15.54	15.62	18.18	22.21	15.17	
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	Oct 11	Oct 10	Oct 9	Oct 5	Oct 5	Yr ago
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Equaty turnover (2)mit	-	1971.2	1751.0	1563.6	1944.5	1585.2
Equity bargains;	-	38,451	38,014	34,012	33.251	29,344
Shares traded (mil)†	-	737.8	597.2	648.7	776.8	605.4
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advance to 256%p in 10m traded. A positive note from SGST also helped underpin sentiment

and SBC Warburg upgraded its Delta suffered from switch recommendation from reduce advice with some brokers urging clients to shift into rival heavy electrical equipment group BICC. The latter jumped 9 to 289p in 2.1m traded while Delta pulled up short at the bottom of the FT-SE Mid 250 rankings with a decline of 15 to 414p. Sentiment in the boost turnover in Sears to 10m. The shares hardened 2½ to sector has been hit lately by renewed upturn for copper

> Zeneca recovered 13 to 1171p with some dealers suggesting it had been the mystery white knight in the Rhone-Polenc Rorer battle for Fisons. After Fisons capitulated yesterday, there were no longer any worries that Zeneca would enter the arena. Other marketmakers suggested it was merely a rerun of old takeover speculation - Roche of Switzerland has been mentioned as a possible interested party. Pisons

eased a half to 2621/2p. Pharmaceuticals group Anagen slumped 28 to 720 after losing the marketing rights to one of its products.

Airports group BAA, noticeably weak in recent sessions, rebounded 3½ to 469p as NatWest Securities switched from hold to add on the stock ahead of today's traffic figures.

Most analysts have picked out growth of 5 per cent as the most likely outturn for the September traffic numbers. But some houses take a more cautious stance given that traffic gains, which were running 8 per cent up a a year ago, appear to be slowing.

Channel tunnel operator Eurotunnel, dull lately on debt rescheduling uncertainty, surged to the top of the FT-SE Mid 250 performance charts. The shares rose 7 to 95p followng news of a change of pricing

Shares in Greenalls Group,

which last week launched a £480m recommended share and cash offer for Boddington Group, shrugged off weakness that followed the announcement of the deal and jumped 14% to 469%p, following a Nat-

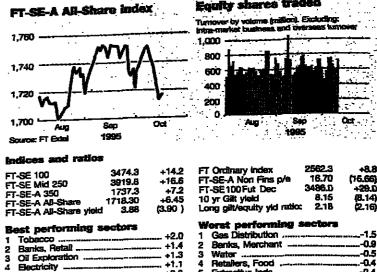
West Securities recommenda-

Boddington shares also moved ahead, ending the day 10% ahead at 394% p after trade of 4m.

Turnover in Vaux Group was 3.9m after a cross of 1.8m done at 270p. The shares eased 614 to 274p. Volume in BTG, which made its market debut last July, rose

to 6m following a placing of around 3m or 17.4 per cent of its share capital, with a range of institutions. The shares

gained 7 to 337p.



#### **FUTURES AND OPTIONS** E FT-SE 100 INDEX FUTURES (LIFFE) 525 per tuli index point (APT) High Low 3486.0 3515.0 3520.0 +29.0 +25.0 +26.0 64902 2320 134 3495.0 3462.0 13935 3499.0 # FT-SE MID 250 INDEX FUTURES (LIFFE) \$10 per full index point 3935.0 # FT-SE 100 INDEX OPTION (LIFFE) (\*3471) \$10 per full index point P C P 91 1 141 109<sup>1</sup>2 18 148 126 38<sup>1</sup>2 160 EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) 210 per tuli index point

TRADING VOLUME **III Major Stocks Yesterday** 

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Australasia (6)	2342.73	-1,7	2382.43	2778.87	216	25.86	2951.49	
North America (12)	1695,75	+0.7	1683.65	1782.55	0.79	48.65	1831.00	1348.1

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Australassa (6)	2342.73	-1,7	2382.43	2778.87	216	25.86	2951.49	1788.20
North America (12)	1655.75	+0.7	1683,65	1782.55	0.79	48.65	1831.00	1348.18
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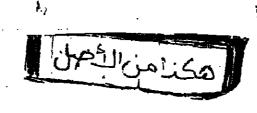
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12 Extractive Indus	stries(7)		4081.05					4016.21	3.62	2.51	13,73	104.79	1159.24
15 Oil, Integrated(		_	2860.63					2607.87	4.10	2.04			1227.51
_16 Oil Exploration			1894.54	+1.3	1870.65	1911,58	1927.09	1912.08	2.66	<u>1.48</u>	31,79	48.88	1124.53
20 gen industr			1955.62	+0.1	1953.38	1977.81	1993.33	1894.50	4.21	1.83	16.21	68.53	1042.64
21 Building & Con	struction(3	38)	913.36					1088.69	4.45	1.87		35.82	748.99
22 Building Metis	& Marchel	(31)	1698,40	+0.4	1891.75	1724.88	1744.48	1849.21	4.35	2.02		85.02	838.75
23 Chemicals(23)			2429.61	+0.2	2425.25	2442.40	2464.B0	2342.55	3.96	1.83		B0.44	
24 Diversified Indu			1748.94	+0.4	1741.25	1783.32	1763.80	1797.74	5.67	1.58		87.14	950.29
25 Electronic & Ele		36)	2146.84	-0.2	2150.33	2169.15	2204.98	1933.71	3.49	1.93			
25 Engineering(69)			2153.20	-0.1	2156.22	2179.60	2202.80	1820.60	3.37	1,99		55.17	1277,45
27 Engineering, Ve			2614.22					2264.00	3.59	1.39		71.44	1320.51
28 Paper, Polog &		7)	2845.81			2903.07			3.51	2.49		85.03	1160.57
29 Textiles & Appa	re((21)		1592.32			1597.60			4.53	1.78		50.56	941.20
30 CONSUMER G			3389.64			3412.40							
31 Brewerles(18)		•	2608.23			2642.79			3.84	1.76			1223.59
32 Spirits, Wines 8	Chlorelli	ra .	2877.62						3.82	1.99		62.40	1219,89
33 Food Producers		-,	2515.12			2911.02 ; 2521.52 ;			4.15	1.84	16.33	105.86	1011.80
34 Household Goo	njerry doči11		2556.24						4.03	1.77		80.26	1108.16
36 Health Care(17)			2019.80			2582,43 : 2027,30 :			3.73	2.05		59.15	248.24
37 Pharmaceuticals	£11)		4459.50			4517.77 ·			2.57 3.62	1.82		37.85	1205.37
38 Tobacco(1)	4,		4608,16			4508.51			5.20	1.57		153.87	
40 SERVICES(226)										1.90		_	<u>1114.85</u>
:::			2138.84			2160.00			3.12	2.07	19.37	56.10	1090,13
41 Distributors(30) 42 Leisure & Hotels			2705.45			2754.35			3.66	1.75	19.51	73.00	974.06
	8(29)		2424.39			2461.31 2			3.30	1.85	20.45	73.11	1241.57
	145		3315.36 2090.51	+0.8	200.03	3312.51	SS35.75	2819.80	2.20	240		77.30	1185.09
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48 Support Service			1760.78	+0.4 1	103.02	779,74 1	183.96	1540.04	3.33	2.17	17,32		983.19
49 Transport(20)	edos 1					853,24 1			2.50	2.44	20,50		1142.45
	e =======		2150.54			2169.30 2			4.01	1.29		72.68	877,67
	a Drighting	Q(/)	1202.72			1211.52 1			4.23	1.73	17 <u>.†</u> 0	39.30	1076.77
60 UTILITIES(37)			2488.25			2535.16 2			4.56	202	13.57		1016.90
62 Electricity(15)			2751.84			2753.60 2			4.04	296			1224.44
84 Gas Distribution			1634.02			698,59 1			7.39	0.65	26.28		794.73
65 Telecommunicat	ions(7)		2078.09			115,26 2			3.95	1.71	18.54	51.48	924.29
68 Water(13)			2119.81	-0.5 2	128.88 2	<u> 151.12 2</u>	148.01	1875.78	<u>5.41</u>	275			1126.68
89 NON-FINANCIA	LS(856)		1830.76	+0.2 1	828.21 1	850.40 1	864.62	1863.68	3.89	1.93	16.70	_	
70 FENANCIALS(11			2639,46			653,43 2			4.22	_			1353,25
71 Banks, Retail(9)	~		3679.75			690,013			4.22 3.95	2.45 2.82	12.10 1	101.00	1101.05
72 Banks, Merchan	169		3485.91			811,18 3			3.95 2.66	2.82 2.74	17.22	39.75	1160.09
73 Insurance(25)	-,		1299.69			312.93 1			5.67	2.69	0.04	11.76 04.00	1088,75
74 Life Assurance(6	9		3023.62			023,94 3			4.B1	1.53	8.21	54.30	946.31
77 Other Financial@	20		2848.86			356.66 2			3.76	1.93	17.98 1		1231.91
79 Property(45)			1409.71			426,87 1			4.39	1,34	21.32		1308.47
80 INVESTMENT T	RUSTS/19	340	2901,37			928.04 2		_					844.60
									2.26	1.08	51,99	<u>52.70</u>	999.27
89 FT-SE-A ALL-SI	A TENED	<del></del>	1718.30	+0,4 1	/11.85 1	735 <u>.05</u> 1	<u>(43.38 1</u>	539,72	3.88	2.00	16.06	56.83	1414.21
FT-SE-A Fledgling			1068.01	10	068.09 1	076.63 1	077.91	-	288	1,21	88.26		
FT-SE-A Redgling ex	iny Trusti	•	1066.81			074.24 1		_	3.00	1.26	38.16		1094.90
	-									1-20	GG. 10 A	CA.52	1093.81
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			40.00					4					
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FT-SE 100	3475.7	3471.9	3459.1	3468.0	346	8.3 34	69.0	3472.0	3476.6	3471.3			
FT-SE Med 250	3909.0	3908.4	3912.0	3914.		9.9 39	17.0	3917.7	3920,2	3471.3 3919.7			457.3
FT-SE-A 350	1736.7	1735.2	1730.6	1734.	3 1734			1738.2	1738.3	1738.1			2206.0

908.9 4409.1 2123.0 8708.9 910.2 4408.8 2121.9 3720.1 910.2 4420.7 2119.1



ISER 12 1995

a section

	FINANCIAL TIMES THURSDAY OCTOBER 12 1995 *	31
	WORLD STOCK MARKETS  #/- High Low Yis Pig	+/- High Low
	April   Apri	
•	The column   The	,这种人们,我们们的人们,我们们们的人们们的人们,我们们的人们,我们们的人们们的人们们的人们们的人们们的人们的人们的人们们们的人们们
*	10 Table 20	以此次的表示,并现了这个人的,我们是一个的一个的一个,我们是一个的一个的,我们就是有一个的,我们就是一个的一个,我们们们,我们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们们
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:	Separate	40 11 23 11 25 11

1885
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151e 3134 Nowees Mi 4.0.65
171e 141e Nowees Mix 0.67
171e 141e Nowees Pr x 1.03
151e 13 Nowees Pr x 1.03
163, 153 Nowees Pr x 1.04
481e 2576 Noweex 2 38

71d P/ Sh 69 32 6.6 72 6.8 310 71 94 6.6 49 7.1 247 7.2 325 2.4 17 251 4.9 20 8188

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Pron. Charac -1<sub>a</sub> -1<sub>c</sub> -1<sub>c</sub>

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1606 Bigb Lew Stant 451<sub>2</sub> 351<sub>5</sub> Chillin 97<sub>8</sub> 87<sub>5</sub> CV Reit 381<sub>2</sub> 141<sub>2</sub> Cycan Sys 551<sub>2</sub> 211<sub>2</sub> Cycan 321<sub>5</sub> 241<sub>4</sub> Cychen 617<sub>5</sub> 311<sub>4</sub> Cytac

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# Nasdaq misses 1,000 as tech stocks rebound

#### **Wall Street**

Technology shares continued to rally on Wall Street after Tuesday morning's sharp correction, writes Maggie Urry in

However, after an initial spurt of activity, stocks came off their best levels and the technology-rich Nasdaq index failed in an attempt to regain the 1,000 level.

By 1 pm the Nasdaq was up 12.67 at 996.14. The Pacific stock exchange index, also weighted heavily in favour of technology stocks, rose 3.28 to

But the broader market indi-ces did not fully share in the technology sector's bounce. The Dow Jones Industrial Average was up 9.03 at 4,729.83 and the Standard & Poor's 500 gained 0.98 to 578.51. The American Stock Exchange composite was 0.70 higher at 525.92. Volume on the NYSE

came to 205m shares.

Analysts said that the technology sector had looked oversold on Tuesday when the Nasdag slumped nearly 28 points in early trading as investors' worries increased that third quarter earnings could turn out less strong than expected. Motorola, one of the stocks

hit hardest on Tuesday morning after it delivered a warning on Monday night of slower growth and falling prices for mobile telephones, rose \$1 to \$65. Other rises in the sector were IBM, up \$2 at \$92%. Microsoft, \$21/4 higher at \$86, and Advanced Micro Devices, which gained \$1 at \$26%, in spite of releasing third quarter earnings late on Tuesday which were below brokers'

Away from the technology sector there was a sharp rise in transport stocks. The Dow Jones Transportation Index jumped 1.7 per cent, or 32.69 to 1,925.00. Both airline and rail-

way stocks were gainers. Among airlines, which have been excited by bid talks for USAir, which has valuable east coast routes, UAL rose \$4% to \$174. UAL is the parent of United Airlines, one of two groups interested in buying USAir. Shares in AMR, parent of American Airlines, which is another possible bidder rose \$% to \$70%. USAir shares gained \$1/2 to \$12%.

In railway stocks, Union Pacific rose \$1% to \$64% after announcing the pricing of the IPO of its Union Pacific Resources subsidiary. Union Pacific is offering 37m shares in the subsidiary at \$21 each. It

will retain the remaining 84.5 per cent of the subsidiary, which will be distributed to shareholders at a later date.

Toronto's main equity indices were subdued at midday, the TSE 300 composite rising 2.47 to 4,474.47. However, bargain hunters snapped up cheap technology stocks after Tues-day's decline and, by midsession, Cognos was C\$3% higher at C\$42%, and Softkey Software up C\$2% at C\$53%.

Takeover stocks saw less excitement than they did on Tuesday. DMR A shares stayed flat at C\$11% after rising sharply on Tuesday, when IBM outbid Amdahl, and BDM International of the US. Canada Malting, a takeover target for ConAgra of the US, eased C\$1/2 to C\$201/2 after Tuesday's new 52-week high.

#### **SOUTH AFRICA**

Johannesburg ended most firmer as buyers returned after Tuesday's late slide. The overall index rose 29.7 to 5,753.0 and industrials picked up 35.9 to 7,257.1. Golds eased 13.4 to 1,459.8 on continuing concern over forthcoming gold mine quarterly results.

#### **EUROPE**

# Roche takes Zurich to new 1995 high

Broker support for US equity markets and their high tech component combined with a higher dollar to lift continental equities after bad days on Tuesday, and last Friday, writes Our Markets Staff. Corporate news, however, was

ZURICH pushed ahead as Roche's nine month figures. and its positive forecast for the full year again lifted investors' spirits. The SMI index rose 23.0 to a 20 month high of 3,073.0. Roche certificates safely cleared the SFr8.250 resistance level that had proved an unbeatable hurdle for the last six weeks, to close SFr155 better at an all time high of

The pharmaceutical group's announcement of a 2 per cent rise in nine month sales, and its forecast of higher full year profits were in line with expectations. However, confirmation of the analysts' forecasts, and a stronger dollar, provided fresh incentives to buy as analysts suggested that the way was now open for the stock to appreciate to around SF18,600.

SF18.305

The bullish tone spilled over to Ciba, a recent favourite among investors, ahead of its nine month figures today. The shares rose SFr21 to an all time peak of SFr952.

Among financials, UBS registered shares picked up SFr12 to SFr1.217 on the improved outlook for its second half earn-ings. Swiss Re gave up another SF127 to SF11.205 on profit-taking after its recent long

PARIS, relieved that Mr Alain Juppé, the prime minister was to escape prosecution over irregularities connected with the leasing of apartments in the capital and encouraged by an overall upswing in sentiment, closed with a gain in the CAC-40 of 16.47 to 1,794.43. Turnover was FFr3bn.

Suez, the industrial and financial conglomerate, lost FFr8.90 or 4.6 per cent to FFr183.00 after reporting that it had made a FFr4bn loss in the first half owing to its heavy exposure to the depressed property market, was taking a one-off charge of FFr4.1bn, and expected to return to profitability by next

The news surprised some brokers who had been anticipating that the group would return to profit by the end of this year. By last night the shares had lost 33 per cent since attaining a year's high on Eurotunnel made a steady

gain, up 30 centimes or 4.3 per cent at FFr7.30, on reports that the Channel tunnel operator was to revise its pricing strat-

egy. SGS-Thomson put on FFr26.90 or 13 per cent to Nedlloyd also found buyers fol-

In Osaka, the OSE average

fell 262.82 to 19.453.58 in vol-

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Oct 11 12.00 12.30 13.00 14.00 15.00 Chose Hourly changes FT-SE Eurotrack 100 1384 57 1398.97 1397.15 1398.02 1398.07 1392.55 1396.03 1398.12 FT-SE Eurotrack 200 1501.95 1502.94 1504.35 1503.31 1503.56 1505.33 1507.52 1508.53 Oct 4 Oct 6 Oct 10 Oct 9 1398.45 1517.79 1422,43 1541,57 1401.51 1524.49

FFr231.90, after reporting a lowing a sharp decline earlier substantial rise in in third

quarter earning AMSTERDAM brokers were active in Fokker, the financially troubled aircraft manufacturer majority owned by Dasa of Germany, as rumour and counter-romour swirled around the market. The shares tumbled 19 per cent or Fl 1.40 to Fi 6 in average volume, having rebounded from a session low of F15.

Brokers said that the main contributory factor behind the day's loss in value was a report, denied by the company, that it was about to file for the equivalent of Chapter 11.

The AEX index rose 3.36 to 457.98. There was better news for Philips which regained part of Tuesday's fall in line with a Europe-wide trend, and finished up Fl 2.10 at Fl 70.20. Polygram, however, lost Fl 1.60 to Fl 102.30 after announcing that it was to pay \$57m for Venezuelan record company.

in the week, and the stock moved up Fl 2 to Fl 42.

FRANKFURT watched the dollar, and lifted chemicals across the board as the Dax index rose 16.55 to 2,153.56. However, its main news was on the downside. Daimler shedding DM3.70 at DM689.90 in response to the Fokker stories, and SAP, the computer software group, losing another 50 pfg to DM213 in spite of the tech stocks recovery else-

Turnover fell from DM6.9bn to DM6bn. Analysts said that SAP preferred were seriously overbought in the run-up to their mid-September inclusion in the Dax 80.

On the upside, MAN continued Tuesday's upgrade on 1995-96 prospects, rising DM7 to DM417. In retailing, Kauthof and Asko recovered DM9.40 to DM472.50, and DM30 to DM840 respectively. They had dropped on the merger with the cash and carry unit of their Swiss-

recovered after news that Kaufhof and Asko top management would lead the new

MILAN was marginally firmer in a largely technical

bounce after the recent string of weak performances and as Gemina bounced back after Tuesday's 10.7 per cent plunge The Comit index eased 0.32 to 594.43 while the real-time Mibtel index recouped 28 to 9,527, supported by the view that the market had become

oversold and on short covering

ahead of the end of the

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g change.

monthly account. Gemina recouped L37.8 or 6 per cent to L702.8 although many investors were said to be still wary of the stock after Monday's suspension following police raids on the group's offices and losses at its pub-lishing arm. Benetton jumped 1,277 to L17,307 after the company forecast a 5 per cent rise

in net profits this year. STOCKHOLM and HELSINKI reflected recoveries in Ericsson and Nokia, in particular, up SKr6.50 to SKr146.50, and FM19 to FM271 as the Affarsvärlden General index rose 21.2, or 1.2 per cent to 1,774.3, and the Hex by 99.98, or 5.1 per cent to

Written and edited by William Cochrane, Michael Morgan and

# Sao Paulo improves by 1.2%

São Paulo was up 1.2 per cent in moderate morning trade ahead of today's national holiday. The Bovespa index of the 54 most traded shares was up 539 at 44,634 by 1 pm. Turnover

was thin at R\$121.2m (\$123m). Some analysts attributed the morning rise to a technical correction after the market's Indupa was one of the big-cumulative losses in the last gest risers, putting on 2.9 per

NATIONAL AND

Belgium (35) Brazil (26)....

Hong Kong (55) Ireland (16).....

BUENOS AIRES swung to gains at the opening, taking its cue from a rebound in the US

The Merval index, which had shed nearly 2.0 per cent since Monday, was 3.39 points higher by noon at 437.00.

cent, while Alpargatas and Acindar had both risen by 1.8 per cent.

MEXICO CITY was firmer at midsession as the IPC index made a gain of 26.60 or 1.1 per cent to 2,364.38. CARACAS continued its winning ways as the Merinvest index recorded yet another year's high, closing up 3 per cent at 108.2.

			Dollar terms			ocal currency	/ terms
Market	No. of stocks	October 6 1995	% Change over week	% Change on Dec '94	October 6 1995	% Change over week	% Change
Latin America	(252)	489.66	-1.4	-15.6			
Argentina	(30)	699.49	+2-6	-4.7	429,003.34	+2.6	-4.8
Brazil	(72)	334.03	-2.5	-13.1	1,197.88	-1.9	-1.7
Chile	(36)	745.32	-0.8	-5.0	1,197.94	-0.3	-5.0
Colombia	(16)	605.20	-5.0	-25.4	1,049,38	-3.6	-12.3
Mexico	(67)	470.02	-1.8	-22.7	1.324.36	+0.8	+2.6
Peru <sup>2</sup>	(19)	195.52	-0.5	+9.6	269,41	-0.2	+13.3
Venezuela³	(12)	458.40	+13.5	-7,4	1.789.19	+13.5	-7.4
Asia	(657)	239.92	-0.1	-3.8	.,		
China <sup>4</sup>	(20)	67.58	+1.0	-10.9	71.01	+1.0	-12.3
South Koreas	(159)	143.83	+1.5	+5.2	145.30	+1.6	+2.5
Philippines	(25)	265.68	+2.2	-10.9	332.28	+1.6	-5.4
Taiwan, China®	(93)	115.45	+4.1	-29.8	116.59	+3.5	-28.1
India <sup>7</sup>	(101)	96.62	+3.8	-21.8	116.36	+3.8	-15.4
Indonesia*	(42)	108.49	+1-2	+8.8	133.62	+1.3	+12.2
Malaysia	(114)	269.64	-2.8	+0.3	252.41	-1.8	-0.4
Pakistan <sup>a</sup>	(36)	290.56	-0.8	-20.6	416.81	-0.5	-18.5
Sri Lanka®	(19)	107.66	+1.2	-37.4	121.78	+1.0	-34.3
Thailand	(68)	391.72	+3.0	+2.1	390.60	+3.2	+2.2
Euro/Mid East	(210)	137.00	+1.4	+15.6	000.00	TU-2	TZ-E
Greece	(40)	244.97	-4.8	+8.6	389.30	-3.6	+5.9
Hungary <sup>n</sup>	(5)	125.17	-1,5	-17.5	198.02	-0.5	-4.1
Jordan	(8)	186.63	+0.6	+24.4	280.23	+0.9	+26.0
Poland <sup>12</sup>	(16)	465.19	-4.2	-0.9	715.86	-3.8	-0.6
Portugal	(28)	120.45	+1.9	-0.5	124.30	+2.3	-0.0 -6.2
South Africa <sup>19</sup>	(64)	238.75	+1.2	+6.2	180.50	+1.5	-0.2 -4.6
Turkev*	(44)	137.62	+6.6	+13.0	3.237.68	+8.5	+46.3
Zimbabwe <sup>15</sup>	(5)	260.38	-1.4	+6.4	339.53	+0.5 -1.1	
Composite	(1119)	279.39	-0.1	-9.1	308-33	-1.7	+12,6

which are: (11Feb 1 1991; (2)Dec 31 1992; (3Lien 5 1990; (4)Dec 31 1992; (3Lien 3 1992; (5Lien 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (8)Air 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1993; (15)Aune 2 1993.

The return of forward trading regulations in India could lead to a rise in market activity although, so far, this has failed to produce a sustained rally since the ban was lifted late last week, writes John Pitt.

Foreign & Colonial, the UK-based fund manager, notes that when the ban on forward trading was introduced in December 1993 in an effort to dampen excessive speculative activity, liquidity dropped significantly, particularly among medium sized companies. "Following months of negotiations between brokers and the SEBI, the stock market watchdog, a revised formof forward trading has now been agreed," says F & C. "This should lead to a sharp rise in the market and create the necessary favourable conditions for the current round of public sector disinvestments."

should lead to a sharp rise in the market and create the necessary favourable conditions for the current round of public sector disinvestments."

James Capel's emerging markets team also believes that the outlook for Indian equities is starting to brighten. "Strong earnings growth and cheap valuation are the main plus points, with our sample of GDR stocks now trading on a prospective p/e of around 11 times," they say. One uncertainty on the horizon, however, is next February's general election, especially if the result is a hung parliament.

The IFC is now providing daily calculations of its emerging markets database. The organisation, which is part of the World Bank group, has also added the Czech Republic to the countries covered, bringing the total number included in the database to 27. China is another addition to the regional and composite indices, the IFC announced.

203.06

133.00 158.44
132.83 132.86
141.34 132.02
107.52 257.35
105.61 138.67
205.77 209.21
171.14 209.98
125.46 132.70
116.00 116.00
276.85 375.53
179.88 213.13
53.60 87.44
107.91 93.06
350.04 484.01
744.22 7435.99
188.71 185.63
57.26 62.50
167.87 193.69
274.47 244.81
283.18 284.88
107.13 135.51
222.76 130.77
123.48 163.21
162.77 207.56
174.31 236.62

174.31 25.52 159.23 181.28 141.09 161.39 204.46 240.82 115.48 103.31 126.08 125.32 170.08 229.86 126.37 136.00 187.81 128.85 128.81 128.85 139.27 155.31 160.16 202.52

121.88 141.33 159.92

-0.2 -1.0 -2.3 -0.8 -0.8 -0.8 -0.8 -1.2 -0.6 -0.3 -0.6

-0.4

2.48 3.12 1.82 1.26 2.13 2.49 2.56 3.29 2.18 2.10 2.80

137.33 121.68 176.33 99.59 106.73 146.67 108.96 161.97 108.36 120.11 138.12

-0.2 -1.4 -0.5 -0.2 -1.4 -0.5 -0.5 -0.8

-0.6

4.10 1.26 3.79 1.64 2.68 1.53 3.31 2.05 1.77 1.87 2.18 4.09 4.17 1.72 2.50 4.17 2.50 4.17 2.48

#### ASIA PACIFIC

# US turmoil spills into 1.6% fall for Nikkei

Two days of turmoil in US technology stocks hit investor confidence in Tokyo and the Nikkei average came back from Tuesday's holiday to a loss of 1.6 per cent, closing below the 18,000 level for the first time since October 2, writes Emiko Terazono in

The 225 index fell 285.08, ending at the day's low of 17,891.19; it opened at a high of 18,155.54, but soon lost ground on selling of high-technology stocks and banking shares. A fall in Nikkei 225 futures in Chicago on Tuesday also dragged down the futures index, prompting arbitrage unwinding.

Trading remained thin, volume totalling 277m shares against 255m. The Topix index of all first section stocks fell 26.00 to 1,427.04 and the Nikkei 300 by 5.21 to 267.24. Losers led gainers by 840 to 206.

In London, the ISE/Nikkei 50 index rose 4.64 to 1,211.95. Wall Street's worries depressed the high-technology sector, regarded by investors

as relatively expensive due to active buying of issues at the start of the year. Overseas investors sold precision stocks, pushing the sector down 3,2 per cent. Shimadzu lost Y34 to Y571 and Nikon dropped Y80 to Y1.290.

Concern about Daiwa Bank was another depressant, with sentiment hit by reports that relations between US and Japanese regulators could deteriorate over the fact that the Ministry of Finance had failed to disclose Daiwa's problems ear-lier. Daiwa lost Y48 to Y634. down 24.8 per cent since the disclosure of its losses on Sep-

Heavy selling in Daiwa hit other banks, the sector losing 2.6 per cent with Industrial Bank of Japan down Y120 at Y2,810, and Dai-Ichi Kangyo Bank Y50 at Y1,760.

Chemical makers shot up on reports of a shortage of silicon for semiconductors earlier this week. Tokuyama, a chemicals

Currency 52 week index High

181.62 169.09 246.49 103.53 126.08 230.42 137.14 225.99 129.63

192.88 180.53 122.35 141.65 180.63 194.25 165.92 174.20

173.52 178.33 233.93 179.46 266.72 178.73

#### Tokyo

ume of 27.8m shares. Roundup A late tumble in index futures and some European selling tugged HONG KONG lower. The Hang Seng index fell 95.86

to 9,635.06 in turnover that improved to HKS4.1bn from Tuesday's HKS2.8bn. Major stocks were broadly

Y11 to Y756.

lower. HSBC, the largest index stock, fell HK\$2 to HK\$107.50, Cheung Kong slid 30 cents to HK\$42.70 and Sun Hung Kai Properties tumbled HK\$1.25 to

TAIPEI suffered from high tech litters, the electronics sector losing 3.5 per cent as the weighted index fell 95.42, or 1.8 per cent, to 5,165.36.

Turnover was active at TS45.43bn. In electronics, United Microelectronics fell TS3 to TS71 and Taiwan Semiconductor TS5 to TS93 on prospects of a slowdown in the

industry's growth KUALA LUMPUR dropped 1.2 per cent on a fifth consecutive day of declines, with the fall accelerating after the lunch break as European funds joined in the selling. The composite index finished 11.95 down at 958.80.

Repco was the only significant gainer, climbing M\$3.85 to M\$26.75 on speculative buying.

Industrial index was lifted by a handful of last-minute deals but most other indices remained at Tuesday's lower

The STII finished 14.13 higher at 2,128.96, but the DBS-50 index which includes financial and property stocks, was 0.03 lower at 519.83.

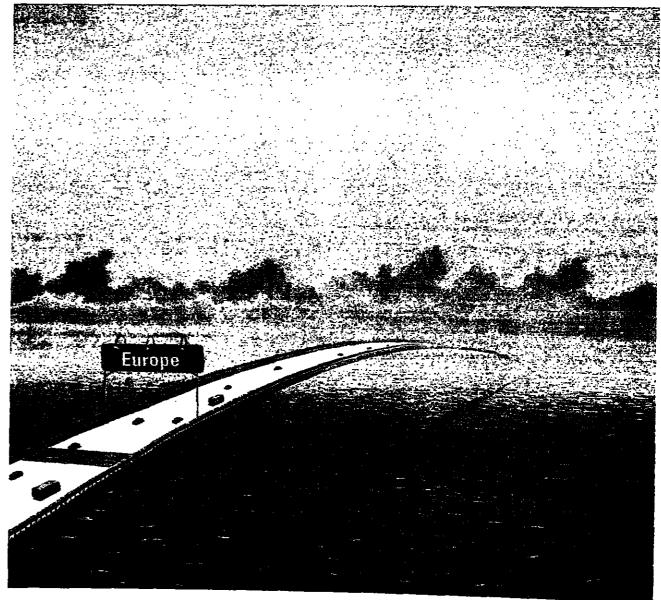
SEOUL was higher in active trading as analysts forecast that strong fundamentals paved the way for further gradual gains. The composite index closed up 6.84 at 1,011.00 as asset-rich stocks found demand, with many posting their limit highs.

SYDNEY and WELLINGTON both improved as buyers returned, the All Ordinaries

2,068.60, and the NZSE-40 by 9.72 to 2,091.33.

MANILA was pressured after a sharp fall by PLDT in New York overnight and the composite index finished 11.18 lower at 2,588.82. The market opened weak but cut a 21 point loss in late trade on news that the government was deferring an oil price rise until next

SHANGHAI'S A share index edged higher on a further advance by Dongfang Electrical Machinery, which made a very strong debut on Tuesday. The A index rose on 2.424 to 738.002 as class A shares in Dongfang rose by another 3.2 per cent to Yn17.45, against a Yn4.10 issue price.



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202.57 137.29 158.94 181.88 123.13 142.55 286.00 180.27 208.71 147.25 99.80 115.54 161.51 109.45 126.72 218.30 146.59 168.71 162.30 199.90 127.35 241.78 163.86 189.71 162.45 110.10 127.46 177.68 120.40 139.40 204.85 138.83 160.73